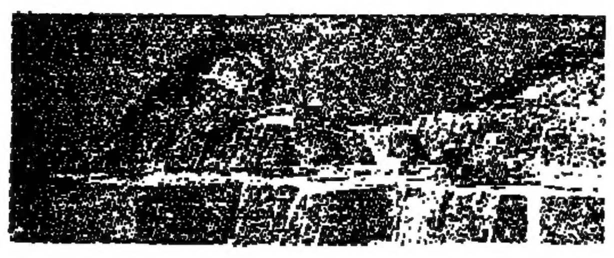


NEWSPAPER of THE YEAR

FINANCIAL TIMES

Wednesday August 26 1992 EUROPE'S BUSINESS NEWSPAPER D8523A

Germany rushes extra police to Rostock

Police reinforcements were rushed to the Baltic port of Rostock in east Germany yesterday as German federal and state leaders quarrelled over who was ultimately responsible for three successive nights of racist attacks in the town. The police were sent because officials feared clashes between right wing and left wing groups. Page 10

Matsushita Electric Industrial, Japan's second-biggest electronics company, reported a 62 per cent drop in consolidated taxable profits to Y36.3bn ($290.4m) and forecast lower annual profits for its parent company – a warning likely to be badly received on the stock exchange. Page 11

Uni Storebrand: The Norwegian authorities took over the running of the country's biggest insurer to prevent collapse after it suspended payments to creditors. Page 11

Georgia threatens force: Georgia threatened to unleash a new military initiative against nationalist rebels, giving the head of the local parliament in the breakaway region of Abkhazia 24 hours to resign or face a Georgian attack on his Black Sea stronghold.

Consumers' confidence falls: Confidence among US consumers fell in August to its lowest since March, according to a report from a private business research group. The Conference Board said its consumer confidence index had dropped from 61.2 per cent to 58 per cent over three months. Page 3

Lebanese minister may quit: Lebanon's foreign minister Faris Bouez threatened to resign if the Syrian-backed government persevered with the country's first general election for 20 years. The parliamentary speaker quit on Monday alleging vote-rigging.

HSBC Holdings: The owner of the Hongkong Bank and Midland Bank of the UK surprised analysts with a 51 per cent rise in interim profits to HK$5bn ($649m) Olympia & York, the troubled Canadian property company, was the main source of bad debts. Page 11; Lex, Page 10

Grand Metropolitan: The UK food, drink and retail group warned that tough trading conditions in the US food market and the weak dollar would curb profits this year. Chairman and chief executive Sir Allen Sheppard (left) said annual taxable profits to September 30 would be broadly in line with last year's £950m ($1.89bn) – well below forecasts. GrandMet shares fell 33p in London to close at 379p. Page 11; Lex, Page 10

Iraq moves warplanes: Iraq seems to have moved military aircraft out of southern Iraq where the allies are poised to declare a "no-fly zone", the US defence department said. Page 4

Turkish Kurds flee: Thousands of residents have fled from Sirnak, a Kurdish town in south east Turkey, after a week of fighting between security forces and Kurdish rebels.

Escobar charges: Five Colombian prisoners and 15 prison guards have been charged with helping drug baron Pablo Escobar's July jail-break.

Rhône-Poulenc, the biggest French chemicals group, boosted net income for the first half of 1992 by 38 per cent to FFr1.55bn ($316m). Page 18

Emperor to visit China: Emperor Akihito will become the first Japanese monarch to go to China when he visits the country in October. Many Chinese cannot forget Japan's second world war atrocities and want an imperial apology. Page 4

Policeman kills 8: A black South African policeman shot dead eight people and then killed himself. The policeman was under investigation for alleged rape.

Smoking linked with cataract: Two US studies have found correlations between smoking and the incidence of cataracts. One study found people smoking 20 or more cigarettes a day ran about twice the risk of cataract.

Arrest warrant: Fifty six Russian sailors who have been stranded on a trawler in Fiji since July are applying to arrest their ship and sell it to recover nine months' unpaid wages. The trawler belonged to a private Russian concern which sold it to a man who has since disappeared.

STOCK MARKET INDICES

FT-SE 100:	2,281.0	(–30.1)
Yield	5.28	
FT-SE Eurotrack 100	993.01	(–17.51)
FT-A All-Share	1,086.13	(–1.2%)
FT-A World Index	137.61	(–0.9)
Nikkei	16,388.77	(–247.19)
New York:		
Dow Jones Ind Ave	3,232.22	(+4.05)
S&P Composite	411.61	(+0.89)

US CLOSING RATES

Federal Funds:	$3\frac{1}{4}$%	($3\frac{5}{16}$%)
3-mo Treas Bills: Yld	3.23%	(3.198%)
Long Bond	$97\frac{7}{32}$	($97\frac{5}{8}$)
Yield	7.473%	(7.444%)

LONDON MONEY

3-mo Interbank	$10\frac{7}{8}$%	($10\frac{13}{16}$%)
Liffe long gilt future:	Sep $95\frac{21}{32}$	(Sep $96\frac{7}{32}$)

NORTH SEA OIL (Argus)

Brent 15-day (Oct)	$19.825	(19.775)

Gold

New York Comex (Aug)	$346.6	(341.6)
London	$341.3	(342.2)

STERLING

New York:		
$	1.988	(1.994)
London:		
$	1.991	(1.9945)
DM	2.7875	(2.8)
FFr	9.5125	(9.5325)
SFr	2.4625	(2.475)
Y	248.5	(same)
£ Index	92.3	(92.4)

DOLLAR

New York:		
DM	1.40225	(1.4015)
FFr	4.7845	(4.783)
SFr	1.2485	(1.2465)
Y	124.55	(124.65)
London:		
DM	1.4	(1.4035)
FFr	4.7775	(4.78)
SFr	1.2465	(1.2415)
Y	124.85	(124.6)
$ Index	58.5	(same)

Tokyo close Y 124.85

Austria	Sch30	Hungary	Ft162	Malta	Lm0.50	S.Arabia	SR9.00
Bahrain	Din1.000	Iceland	IKr180	Morocco	MDh11	Singapore	S$4.10
Belgium	BFr60	India	Rs20	Neth	Fl 3.50	Spain	Pta200
Cyprus	C£1.00	Indonesia	Rp3800	Nigeria	Naira20	Sweden	SKr14
Czech	Kcs35	Israel	Shk5.50	Norway	NKr15.00	Switz	SFr3.00
Denmark	DKr14	Italy	L2500	Oman	OR1.20	Thailand	Bht50
Egypt	E£4.00	Jordan	JD1.20	Pakistan	Rs35	Tunisia	Din1.000
Finland	FM10	Korea	Won 2500	Philippines	Pso45	Turkey	L6000
France	FFr8.50	Kuwait	Fils.500	Poland	Zl 18,000	UAE	Dh9.00
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es190		
Greece	Dr250	Lux	LFr60	Qatar	QR10.00		

Concern over the Maastricht treaty adds to fears of higher European interest rates

D-Mark hits new highs as stocks fall further

By James Blitz and Emma Tucker in London and Jurek Martin in Washington

CONCERN that the move towards European economic and monetary union may grind to a halt sent the D-Mark to fresh highs yesterday and triggered another large fall in bonds and equities across Europe.

The stronger D-Mark led to new strains on the dollar and weaker currencies in the European exchange rate mechanism, increasing expectations of interest rate rises in Europe, particularly the UK and Italy.

A senior US official said in Washington that action by Germany was necessary to end the instability in the currency markets.

He said US policy had been "consistent for months" in urging the Bundesbank to reduce its high short-term interest rates, which had encouraged more funds into the D-Mark.

The instability on world markets will be discussed tomorrow in Paris at a meeting of finance ministry officials from the Group of Seven leading industrial nations – US, Japan, Germany, France, Italy, UK and Canada.

A French opinion poll conducted by the BVA Institue indicated a 51 per cent "no" vote in next month's referendum on ratification of the Maastricht treaty, which would block moves towards Emu and seriously undermine investor confidence in the European exchange rate mechanism. This could lead to large selling of fragile currencies such as the pound and the Italian lira.

At one stage yesterday, sterling dropped to within half a pfennig of its ERM floor of DM2.778. It finished in London at its lowest ERM close, at DM2.7875, down 1¼ pfennigs. The lira brushed its floor against the German currency, before closing at L764.3.

Mr John Major, the British prime minister, and Mr Norman Lamont, his chancellor of exchequer, discussed the pound's weakness at a one-hour meeting. Officials said the government would continue to defend the pound by whatever means were necessary.

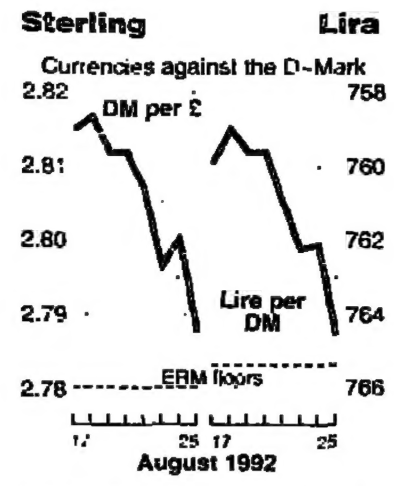
Fears that European currencies will need to be supported by a rise in interest rates again took a toll on equity markets. In London, the FT-SE 100 index of leading shares came back from a 50-point fall to close 30.1 down at 2,281.0. This followed a 54-point decline on Monday.

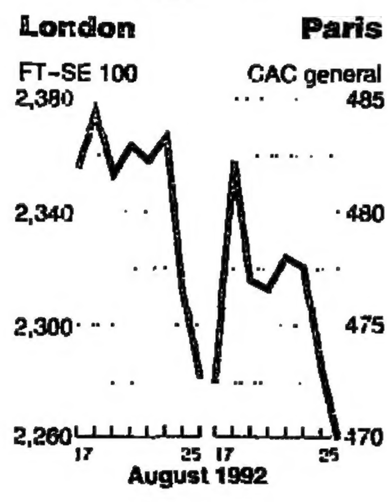
The fall in London share prices reflected concern on the money markets that a rise in base rates, now at 10 per cent, was imminent. Sterling cash dealers priced in a full percentage point rise in base rates. Two-month forward contracts in sterling were offered at the same price as the currency's ERM floor.

Gloom about the economy was not confined to London. In Frankfurt, the DAX index dropped 2 per cent to its lowest close since February last year.

In Paris, share prices fell 1.3 per cent, to hit an eight-month low, while bond markets also suf-

Continued on Page 10





French support for union drops

By Alice Rawsthorn in Paris

A SHARP erosion in French support for the Maastricht treaty was shown yesterday in four opinion polls – one of which for the first time indicated a "no" vote in next month's referendum.

Opposition to the treaty among the French, traditionally staunch backers of European union, has been growing throughout the summer. A "no" vote in the September 20 referendum would be a crushing blow for the treaty, a blueprint for closer European Community unity.

The poll which showed a 51 per cent vote against the treaty – carried out by BVA for Paris-Match magazine and the Antenne 2/FR3 television network – pushed the country's stock market to a new low for the year.

The other three polls showed a narrow vote in favour.

A negative result would be damaging to France's Socialist government, which has been leading the pro-Maastricht campaign.

It would also be a personal blow for President François Mitterrand who launched the referendum in June, confident that France would deliver a resounding Yes vote to revitalise the cause of European union following the treaty's rejection by Danish voters.

Early last month, when he set the date for the referendum, the polls indicated about 60 per cent support among the French people for the treaty.

Yesterday's BVA poll suggests that the "yes" vote has fallen from 56 per cent in late July, when it conducted its last survey, to 49 per cent. BVA's polls have a margin of error of between 2 per cent and 3 per cent.

Among the polls showing a vote in favour, one commissioned from IFOP by L'Express magazine found 51 per cent intending to vote yes.

A poll by Sofres for Le Figaro newspaper showed the same 51-49 vote in favour of the treaty, while a survey by Louis Harris for VSD magazine, gauged the "yes" faction at 52 per cent.

The government is now trying to regenerate its lacklustre campaign in time for next week's return to work after the end of the summer holiday.

Last week Mr Jack Lang, the arts and education minister, was drafted in to lead its campaign effort.

Mr Lang has since announced a series of media appearances by prominent politicians, including Mr Mitterrand, who will appear next Thursday in a television debate against Mr Philippe Séguin, a prominent anti-Maastricht campaigner.

Trevor Humphries

Cyrus Vance, Boutros Boutros Ghali, Douglas Hurd and John Major at Lancaster House

Carrington resigns as EC peace envoy to Yugoslavia

By Judy Dempsey and Ivo Dawnay in London

LORD Carrington resigned yesterday as the European Community's special envoy to Yugoslavia on the eve of the joint EC-United Nations conference on the former republic's future which opens in London today.

His departure, underlining the failure of his year-long peace mission, served as a grim reminder of the substantial hurdles faced in the search for a diplomatic resolution of the Balkan conflicts.

Mr John Major, the British prime minister and current EC president, is proposing that Lord Owen – like Lord Carrington a former British foreign secretary – take his place.

The nomination was expected to be discussed at a meeting of EC foreign ministers last night. But the choice of the often controversial former leader of the UK's now defunct Social Democratic Party was understood to be encountering opposition from some of Britain's EC partners.

Last month, Mr Major publicly rejected a call from Lord Owen for military action against the Bosnian Serbs to stop human rights abuses.

Yesterday, British government officials made clear that there was no likelihood of the London conference – chaired by Mr Major and Mr Boutros Boutros Ghali, the UN secretary-general – bringing an immediate end to the conflict.

Instead, they stressed that it was the start of a fresh chapter in the peace process, intended to act as a "turning point" and to build new diplomatic machinery that might take several months to achieve a lasting settlement.

This process will be directed by a central strategy committee, initially planned to be chaired by Lord Carrington, and Mr Cyrus Vance, a former US secretary of state and the UN's special envoy to the former Yugoslavia.

The committee will oversee the work of six steering groups to be appointed today that will form the focal points for long-term negotiations in Geneva. The six groups will deal separately with the war in Bosnia, rights of the ethnic minorities, economic issues, states seeking successor status to the former Yugoslavia, humanitarian questions, and confidence building measures.

Western diplomats conceded it was not yet clear how the conference could stop the fighting in Bosnia, the deportation of people from the republic, and the Serbs' continuing bombardment and siege on Sarajevo and other Bosnian towns and cities.

But it was made plain that factions which failed to observe minimum standards of "civilised behaviour" would face toughened sanctions imposed by a united international community.

Where EC went wrong, Page 2
Too little, too late? Page 8

Hurricane prompts exodus as damage costs near $20bn

By Martin Dickson in New York and Norma Cohen in London

A MASS evacuation of coastal Louisiana and Mississippi was under way yesterday as Hurricane Andrew, already one of the costliest US storms this century, appeared likely to make a new and devastating landfall near the vulnerable, low-lying city of New Orleans.

The hurricane tore through southern Florida early on Monday morning, causing billions of dollars of property damage and at least 12 deaths, and yesterday was moving north-west across the Gulf of Mexico with winds of about 140 miles an hour. At least three people died on Sunday when it crossed the Bahamas.

Ms Kate Hale, director of emergency services in Florida's Dade County, which bore the brunt of the storm, estimated that Andrew had already caused $15bn-$20bn of damage, but insurance industry analysts cautioned that it was too early to assess the costs accurately.

A hurricane warning was in effect yesterday along 470 miles of Gulf coast from Pascagoula, Mississippi, to Galvestone, Texas. Several forecasting agencies suggested the likeliest landfall was in central Louisiana, to the west of New Orleans.

Government officials in Louisiana, Mississippi and Texas advised or ordered more than 2m people to evacuate coastal areas and hundreds of thousands of frightened residents fled to higher ground.

New Orleans, with a population of 1.6m, is particularly vulnerable because it lies below sea level, has the Mississippi River running through its centre and a large lake immediately to the north.

Much of America's oil refining industry is concentrated along coastal Texas and Louisiana and several refineries were yesterday partially shut down.

In Florida, Andrew caused

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CONTENTS

Eleven words that laid the ground for mass violence

Christopher Parkes in Bonn examines the reasons for Germany's refugee crisis

PERSONS persecuted on political grounds shall enjoy the right to asylum: eleven words in Germany's inadequate constitution, liberally interpreted by politicians, exploited by thousands of poor foreigners looking for a new life, and scorned by blood-hungry yobs and Nazis old and new, brought mass violence to Rostock at the weekend.

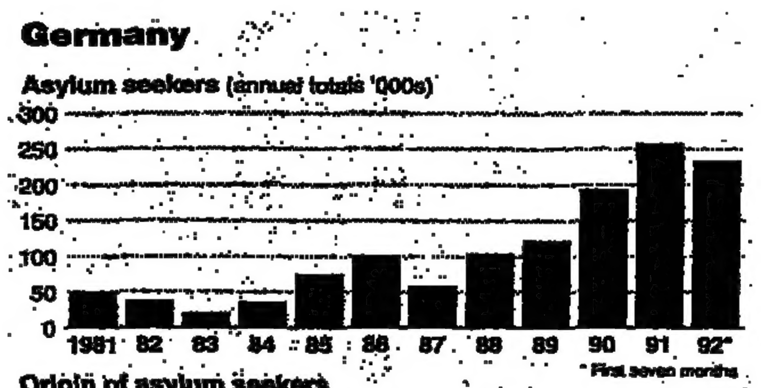
The fear and the likelihood is that such scenes will be repeated elsewhere in the coming weeks and months; most likely in the east.

The weekend beatings and burnings which spilled over into Monday night – a magnified reflection of the extreme right's offensive in Hoyerswerda, Saxony, almost exactly a year ago – stirred shame and recrimination in equal measure among politicians yesterday.

The violence, cheered by mobs of "respectable" locals in the apartment blocks around the besieged asylum hostel in the Lichtenhagen suburb, also sharpened the desire to find a solution. By grim coincidence, while the alleged radio-equipped "organisers" of the battle were on their way to Rostock from Berlin, Hamburg and other inner-city spawning grounds of the far-right, Mr Björn Engholm, leader of the opposition Social Democrats was preparing to stand his party's asylum policy on its head.

Ringing through the ifs and buts of his weekend declaration came unequivocal acceptance that the uncontrolled flow of asylum-seekers – 233,000 in the first seven months of this year, compared with 256,000 during 1991 and 193,000 in 1990 – had to be stopped. After years of refusal, the party leadership was prepared to countenance constitutional change.

The "ideologues" in Bonn had, after all, heard the voices of grass-roots party leaders in the hundreds of SPD-controlled local and state governments who have daily to house, feed, process and protect asylum claimants, a senior Christian Democrat leader said.



Origin of asylum seekers

	1991	1991*	1992**
Yugoslavia	74,854	14,734	72,415
Rumania	40,504	11,899	29,208
Turkey	23,877	10,583	13,314
Bulgaria	12,056	3,500	5,984
Vietnam	8,133	3,293	5,577

Source: Interior Ministry. *Last six months; **First six months

Chancellor-candidate Mr Engholm insisted yesterday that he was not trying to protect his career. "This concerns the political reaction to current problems which need to be dealt with," he said.

One of the problems now in need of treatment has been current since the adoption of the constitution in 1949. Although the 11-word paragraph laying down the basic law on asylum seems clear enough, implementation has been conditioned (by hitherto common consent) by Germany's xenophobic and genocidal past. In practice, anyone asking for asylum at the border is allowed in. After examination of each case, sometimes lasting months, fewer than 5 per cent of applicants are approved.

The fact that there are almost 6m foreigners living and working in the federal republic, most for 10 years and more, is often cited to support frequent claims from Bonn politicians that Germany is "foreigner-friendly". But most came originally to enjoy better living standards. Many were invited as "guest workers", to dig coal and labour in service jobs spurned by Germans.

Now, in the words of Mr Rudolf Seiters, interior minister, people coming in search of a better life "abuse" the asylum laws. Now, in the words of the extreme right-wing German People's Union, "*Das Boot ist voll* (The ship is full)."

The recent sudden upsurge in asylum-seekers is exerting unmanageable pressures on local budgets and generating uncontainable social forces, exacerbated by hard-core neo-Nazis and hooligans, especially in unemployment hot-spots in east German towns. The influx of ethnic Germans from the former Soviet Union and elsewhere in eastern Europe (250,000 last year) has added to the strains.

Eastern local authorities, lacking funds to provide other accommodation, tend to house their asylum-seeker quotas in heavily populated areas. Protection, such as it is, comes from inexperienced police, mostly new recruits who have inherited the mantle of popular hatred handed down by their communist predecessors.

Official jobless figures in such places range around 20 per cent, but estates such as Lichtenhagen house upto another 30 per cent one-time workers, pensioned off into early retirement or "employed" on non-productive fill-in projects funded by Bonn until real jobs can be found.

Now, with recession looming over the western economy and no sign of a resurgence in industrial ruins in the east, the prospect of real jobs is fading – like Chancellor Helmut Kohl's vision of a "blooming landscape" in the former GDR – into the far distance.

A much more tangible possibility is recession, rising unemployment, and mounting social and political disorder. After last weekend's events Bonn may act quickly to slow the flow of immigrants and skim away some of the surface tensions. The risk is that in the process it will expose the underlying roots of dissent. A country still divided economically, socially and mentally – with or without its sad traffic in bemused economic refugees – will continue to provide a bountiful feeding ground for extremists.

Oil export bribes for Russian managers

By Leyla Boulton in Moscow

RUSSIAN officials and oil managers have taken more than $100m (£50.2m) in bribes for irregular exports of the country's most precious natural resource in the first half of this year alone, anti-corruption officials said yesterday.

Colonel Vyacheslav Soltaganov, head of the Interior Ministry's economic crime department, said new-style trading companies were paying bribes of $2 a tonne of oil to facilitate the unlicensed export of petroleum products.

Such practices, which could affect about 10 per cent of Russia's oil exports, were particularly rampant in Tyumen, Russia's richest oil-producing area.

Col Soltaganov said Rosnefteproduct, the biggest state oil-refining company, was under investigation for irregular sales to former Soviet republics which resulted in parts of Russia being starved of oil products.

Mr Mikhail Gurtovoi, head of the government's anti-corruption commission, said small-scale rackets at individual petrol stations, usually the focus of public indignation, often diverted attention from swindles at higher levels.

But a crackdown on one such case in the town of Surgut in Tyumen region helped uncover a case of local oil enterprise managers selling oil at half the fixed state price to "commercial structures". These new-style businesses in turn paid kickbacks to the managers, who were in effect working for them.

Mr Gurtovoi also said that managers at Nizhnevartovskneftegaz, the biggest oil and gas enterprise in the Tyumen district of Nizhnevartovsk, were under investigation after 1.5m tonnes of oil were found to have been put aside for unofficial sales.

These cases are only the tip of the iceberg of Russian oil corruption. A prime cause of the corruption is the continuation of controls on the domestic oil price to protect industry and agriculture.

Officials said Russia's lack of proper borders with the former Soviet republics made smuggling difficult to police, with oil frequently being shipped across to the Baltic republics and then re-exported for hard currency.

● The Russian government's anti-corruption commission has been placed directly under Mr Yegor Gaidar, the acting prime minister, to free it from political pressures.

Mr Gurtovoi said the commission, which would remain funded by the government, would find it easier, for instance, to investigate the Economics Ministry, under whose tutelage he has been under until now.

Big cuts in Danish spending proposed

By Our Foreign Staff

DENMARK's minority government yesterday proposed heavy spending cuts in a draft 1993 state budget designed to reduce deficits and keep the country's economic revival on course.

It unveiled a budget with a DKr33.9bn (£3.1bn) deficit, lower than the expected shortfall for 1992 of DKr38.3bn. The budget, proposing savings of DKr7.5bn to leave real expenditure unchanged, is likely to face a stormy passage in political negotiations this autumn.

While the ruling centre-right government is bent on austerity, leftist and centrist opposition parties say they want increased public spending to get the more than 300,000 unemployed people in Denmark back to work.

In his budget statement, the finance minister, Mr Henning Dyremose, said the balance of payments surplus was expected to rise to DKr23.5bn next year from an estimated DKr21bn surplus this year.

But two problems for the Danish economy were high unemployment and the large state budget deficit. The government forecasts that unemployment at the end of 1992 will be around 10.25 per cent, dropping to 10 per cent in 1993.

"The state budget deficit has as yet shown no sign of falling, hence the need for austerity policies... We must pursue policies to stabilise the Danish economy and prevent overseas confidence in Denmark from further declining due to our as yet unclarified position on Europe following the 'no' to Maastricht in the June referendum," Mr Dyremose said.

He called for privatisation, rationalisation and efficiency programmes, coupled with reductions in state subsidies to industry and commerce and benefits to the unemployed.

Bosnia prepares plan to restore its institutions

By Anthony Robinson

THE Bosnian government will today present a set of proposals to the London conference aimed at restoring the republic's civil and democratic structures.

The plan, unveiled yesterday by Mr Haris Silajdzic, the Bosnian foreign minister, will be based on a decentralised and secular system, and would grant the three ethnic communities a wide degree of autonomy and ethnic rights.

But Mr Silajdzic said his government would not accept any system which would turn Bosnia into ethnically pure cantons.

The plan entails establishing at least four regions in Bosnia, with administrative centres in Sarajevo, the capital; Mostar in western Hercegovina (western Bosnia); Banja Luka in the north; and Tuzla in the east. These would be based on full equality of "citizens and ethnic communities", he said.

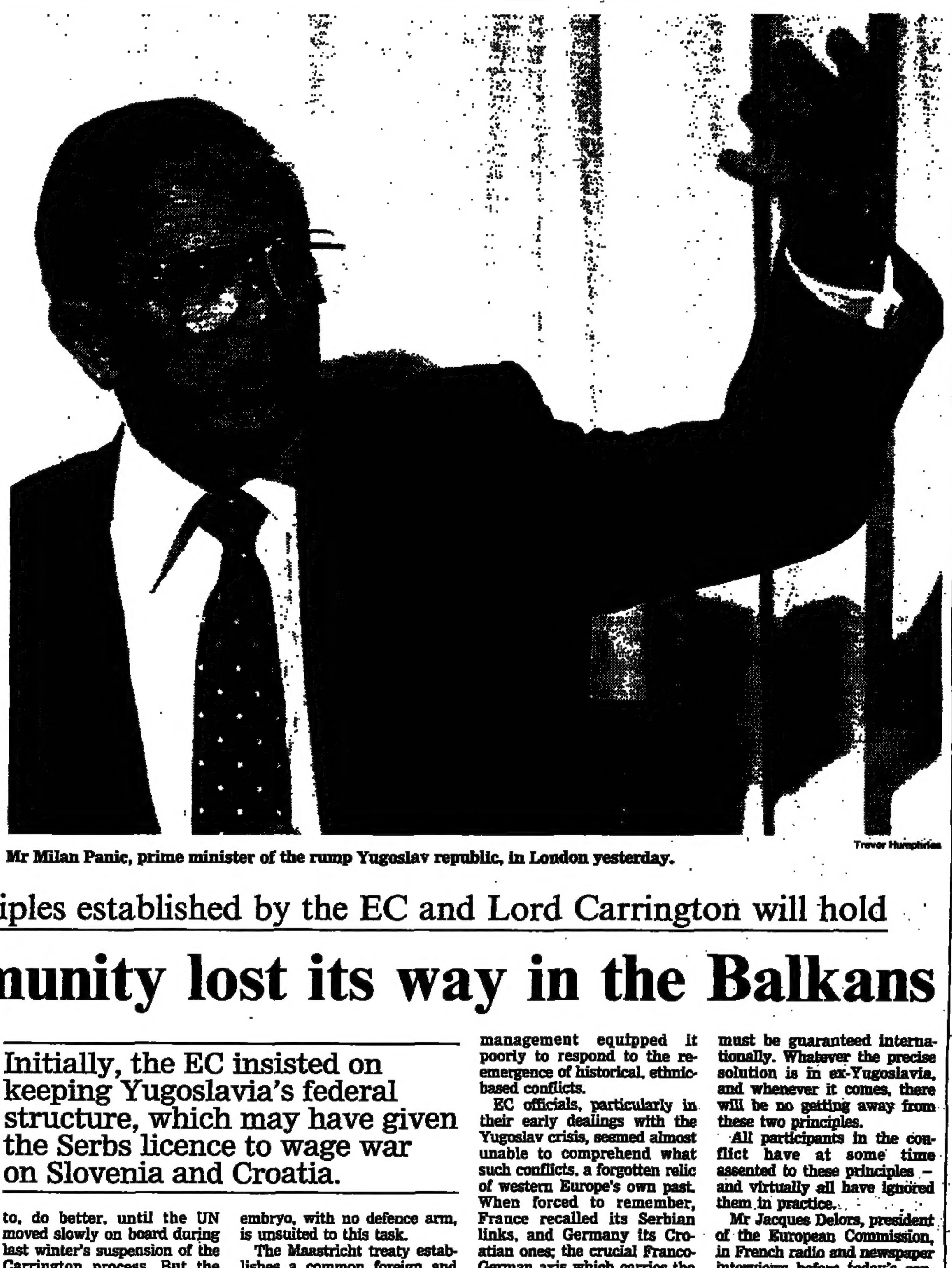
However, before any such proposals are negotiated, Mr Silajdzic insisted that the fighting and the ethnic cleansing must stop. Failure to end the aggression and ethnic violence in Bosnia will radicalise the political situation throughout Europe, he warned.

He also warned that if the international community would "not offer protection to communities facing genocide, Bosnia should be exempted from the United Nations arms embargo."

"No one has the right not to intervene to stop aggression, genocide and ethnic cleansing and at the same time deny weapons," he said. "We ask for air cover to protect civilians and weapons to defend ourselves on the ground." Mr Silajdzic's call for the international community either to help Bosnia protect and rebuild its shattered multi-ethnic communities, or to allow it to defend itself, was rejected by Mr Milan Panic, prime minister of the unrecognised rump Yugoslav republic of Serbia and Montenegro.

Mr Panic said he condemned nationalist "madness" and "ethnic cleansing" and would put forward five "practical and realisable first steps" to prevent ethnic conflict spreading from Bosnia to Kosovo and other parts of the Balkan peninsula.

These included guarantees of safe delivery of relief supplies to Sarajevo, a pledge to stop "ethnic cleansing", and Red Cross supervision of prison camps.



Trevor Humphries

Mr Milan Panic, prime minister of the rump Yugoslav republic, in London yesterday.

Mistakes were made, but principles established by the EC and Lord Carrington will hold

Where the Community lost its way in the Balkans

By David Gardner in Brussels

THE decision by Lord Carrington to step down yesterday formally ends Europe's attempt to negotiate on its own a solution to the conflict in its Balkan backyard.

As the baton passes to the wider international conference which will be convened in London today, the EC can only be judged to have failed in its first effort at international peace-making.

This failure has underscored how difficult it is for the 12 to co-operate in foreign policy; but it is not solely an EC failure.

Moreover, any eventual settlement in the region will not stray far from the principles Lord Carrington and the EC have established over the past year.

The EC made serious mistakes. Initially, it insisted on maintaining Yugoslavia's federal structure, which may have given the Serbs licence to wage war on the first republics to depart, Slovenia and Croatia. By succumbing to German pressure for early recognition of the breakaway states, the Community frittered away the only diplomatic ace it held.

As Lord Carrington himself warned in December, premature recognition of Croatia – with a third of its territory in Serb hands – would "light a powder trail" to Bosnia.

And so it proved, once recognition, rather than a lasting solution, was established as the international goal, and the ethnically intertwined Bosnians were thrown back on a rump Yugoslavia dominated by the Serbs.

No other international body or country could, or was trying to, do better, until the UN moved slowly on board during last winter's suspension of the Carrington process. But the EC's shortcomings are no less evident for that. There are three overriding reasons for its failure.

> Initially, the EC insisted on keeping Yugoslavia's federal structure, which may have given the Serbs licence to wage war on Slovenia and Croatia.

● The EC is a civil power defending its external frontiers through Nato. It gradually developed foreign policy co-operation from 1970. But the collapse of the eastern bloc has left a vacuum in Europe and requires the EC to assume some of the duties of a superpower.

A common foreign policy in embryo, with no defence arm, is unsuited to this task.

The Maastricht treaty establishes a common foreign and security policy (but still largely requiring the unanimity of the 12), and posits a future European defence dimension, based on the Western European Union.

But the Yugoslav crisis arrived first and Maastricht still hangs in the balance.

● Some EC members (France, Spain, the UK) were worried about the impact of Yugoslavia on their own minorities. The Community's post-war success at consensual supranational management equipped it poorly to respond to the re-emergence of historical, ethnic-based conflicts.

EC officials, particularly in their early dealings with the Yugoslav crisis, seemed almost unable to comprehend what such conflicts, a forgotten relic of western Europe's own past. When forced to remember, France recalled its Serbian links, and Germany its Croatian ones; the crucial Franco-German axis which carries the EC forward did not work.

● The international community as a whole has no clear practice on the right to self-determination of aspirants to statehood, nor on how to protect national minorities.

Lord Carrington's peace effort did make some progress here. It established that neither internal nor international frontiers can be changed by force in the process of establishing new nations, and that minority rights within them must be guaranteed internationally. Whatever the precise solution is in ex-Yugoslavia, and whenever it comes, there will be no getting away from these two principles.

All participants in the conflict have at some time assented to these principles – and virtually all have ignored them in practice.

Mr Jacques Delors, president of the European Commission, in French radio and newspaper interviews before today's conference calls for "a credible perspective of military intervention: we must prepare such a force in order not to have to use it."

After the past year's imbroglio, however, EC diplomats do not see this on the cards. Rather, they foresee tighter sanctions against Serbia, armed escorts to aid convoys and a continuing search for political solutions while the fighting goes on – a Carrington tactic.

Sweden's markets still nervous

By Robert Taylor in Stockholm

SWEDEN'S money markets remained nervous yesterday amid continuing uncertainty over the country's economic future, as the general share index fell 2.3 per cent and short-term interest rates rose further.

This followed a 4 per cent plunge in share values on what Swedes have already called "black Monday" and a jump in market interest rates. However, there was no public reaction yesterday from the government.

Mrs Anne Wibble, the finance minister, insists that there is no crisis and no reason why the cabinet should change its medium-term strategy to reassure the markets.

Market analysts remain convinced that the current uncertainties will remain unless the non-socialist minority coalition can demonstrate that it can secure a majority in parliament to push through its existing cuts programme and any other necessary unpopular measures.

Yesterday Mr Ingvar Carlsson, leader of the main opposition Social Democrats, said his party was willing to co-operate with the government in creating a broad economic policy.

UN optimistic on agreement over Cyprus

AN agreement over Cyprus could move a step closer with a new round of talks due to begin in October, according to a report yesterday to the United Nations Security Council, Michael Littlejohns reports from New York.

Mr Boutros Boutros Ghali, UN secretary general, who arranged intensive negotiations between Greek Cypriot and Turkish Cypriot leaders, said the international community expected such an accord.

Turkish-Cypriots want more than 29 per cent of the island in a federated state that would have political equality with a Greek-Cypriot federated state in a single sovereign, secular Cyprus republic.

All sides in Bosnia suspected Carrington equally

By Judy Dempsey

Carrington: suspicion

LORD Carrington's resignation yesterday as chairman of the European Community-sponsored peace conference heralds what may be the end of his active involvement in the Yugoslav peace process.

Many diplomats believed the former British foreign secretary, who in 1979 chaired the Lancaster House Conference which led to the end of the Rhodesian war and the emergence of Zimbabwe, could crack the Balkan problem. Instead, the Balkan conflict conquered Lord Carrington.

As a Briton he was viewed with suspicion by the Croats. On the one hand, the government in Zagreb saw him as a representative of the traditional pro-Serbian stance of the British establishment. Croatia's President Franjo Tudjman resented his persistence in insisting that the ethnic rights of the Serb minority had to be protected in an independent Croatia even as its historic port city of Dubrovnik was being bombarded.

But the Serbs did not like Lord Carrington either, particularly when the EC bowed to German pressure in recognising Croatia's independence in January 1992, before any political settlement was reached on dissolving Yugoslavia.

"Carrington was always criticised. Croatia and Serbia did not see that Carrington was not the EC. He could only make recommendations to it," said one British official.

The criticism of Lord Carrington intensified after the talks in Lisbon in March which in effect established the basis for a constitutional settlement for the future of Bosnia-Hercegovina.

Bosnia's Croats, led by Mr Mate Boban and backed by Mr Tudjman, and Bosnia's Serbs, led by Mr Radovan Karadzic and backed by Serbian President Slobodan Milosevic, agreed to the plan, which envisaged the establishment of cantons in Bosnia.

Although Bosnian President Alija Izetbegovic accepted the plan, the Moslems – 43 per cent of the republic's 4.3m people – believed the cantonisation process would lead eventually to the creation of ethnically homogenous regions in a republic which until recently was an ethnic patchwork.

"Were this plan to be realised, Croatia and Serbia could easily annex Croat- and Serb-inhabited territories of our country," a senior Bosnian official said. "Had the Moslems stuck to the plan, we might have avoided war in Bosnia," an EC official involved in the negotiations on Bosnia said.

From March onwards, Bosnia's Moslems became increasingly suspicious of Lord Carrington, believing he was intent on "morally equating" all sides in the war in Bosnia.

"That was not what he was trying to do," said a UK official. "The point is that Carrington had to talk to all sides in the war. He could not afford to close the door on any one side, because if he did, it would be more difficult to bring them back again to the negotiating table."

But the gap between the bloody fighting on the ground in Sarajevo, and the world of gilded diplomacy in European capitals, infuriated the city's besieged inhabitants. "There were many times that we were being asked to sit at a table as our republic was being bombarded by those sitting at that table as well. There is no room for moral equations in this war," said a Bosnian foreign ministry official."

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Leading Brazilian intellectuals join growing condemnation of the president

Collor defies demands for resignation

By Christina Lamb in Rio de Janeiro

PRESIDENT Fernando Collor of Brazil remained defiant yesterday in the face of mounting public pressure for his resignation following Monday's damning congressional report accusing him of involvement in a multi-million-dollar kickback scheme.

Students, trade unionists, lawyers, intellectuals and politicians calling for his resignation yesterday took part in protests in São Paulo, the country's largest city, and Belo Horizonte, the third biggest.

These followed a 200,000-strong rally in Rio de Janeiro on Monday night led by State Governor Leonel Brizola, who recently withdrew his support for the Collor government. Another demonstration was planned for yesterday evening in Rio.

Leading intellectuals have issued a manifesto accusing the president of "breaching the moral and legal limits of his mandate", and the country's main newspapers called for Mr Collor to resign "for the good of the country". Mr Luis Antonio Fleury, the influential governor of São Paulo, demanded the impeachment of Mr Collor.

Mr Emerson Kapaz, a business leader, said: "There is no possible magic which can restore credibility to the president. If he continues to refuse to quit then it is up to society to force him."

The 200-page congressional report broadcast live to the nation on Monday contained nothing that had not previously surfaced in press reports since investigations began in May, when Mr Collor's younger brother accused him of corruption.

But the report by the 22-member commission was the first official confirmation of allegations.

The report was unsparing in its criticism, accusing Mr Collor of profiting from a huge corruption racket by his former close friend and campaign treasurer, Mr Paulo Cesar Farias, and of "failing in his constitutional duty to uphold moral standards".

Congressional discussion on the report began yesterday afternoon and the commission will vote today on whether to approve its conclusions. There is little doubt the report will be approved, as 13 members have already confirmed their backing. This will then open the way to impeachment proceedings, for which a two-thirds majority in Congress is necessary, and a possible criminal investigation.

Despite the widespread demands for his removal, Mr Collor continues to insist the report was "political" and that he will not resign. He was expected to produce a counter-report yesterday asserting his innocence and laying all the blame on Mr Farias.

Tens of thousands of protesters marched in Rio de Janeiro on Monday calling for the impeachment of President Collor

His aides are also planning legal challenges to the report on the grounds that the commission had no right to investigate the president. The inquiry was set up to examine Mr Farias' activities.

Mr Collor spent yesterday closeted with pro-government political leaders in an attempt to ensure the 168 votes necessary to withstand impeachment proceedings. Government officials claim they have 209 votes but this may be jeopardised if the Democratic Social party (PDS) withdraws its 44 votes of support for the government.

Mr Paulo Maluf, president of the PDS, has already said he is in favour of impeachment.

Most politicians are eager to avoid a lengthy impeachment process and hope public demonstrations will force Mr Collor to resign.

The economy remains paralysed with inflation at 23 per cent a month. Mr Carlos Langoni, a former central bank governor, said: "If Collor stays on now, inflation will rise and there is no way the government will be able to manage the economic situation."

See Editorial Comment

Cavallo unsettles markets

MR Domingo Cavallo, Argentina's economy minister, threw the country's struggling equities market into turmoil yesterday with a confusing statement about government action to smooth sharp fluctuations in share prices, writes John Barham in Buenos Aires.

The minister, addressing a conference of financial executives on Monday, said money raised from privatisations would in future be ploughed back into the capital markets.

Asked for an explanation, a top government official said yesterday: "The proposal is to put proceeds from privatisations back into the market through a partially state-owned institution that would intervene to stop prices going up too far or falling too far."

But the suggestion appeared not only to be ill-defined but to run counter to government efforts to deregulate the economy. One market operator said: "Nobody can understand exactly what he is proposing."

Reserves rise in Mexico

MEXICO'S international reserves rose to \$18.02bn (£9bn) as at August 21, from \$17.55bn at the end of 1991, according to Mr Miguel Mancera, director-general of the Bank of Mexico, Reuter reports from Acapulco.

Mr Mancera told the annual Mexican Banking Association convention that the rise reflected Mexico's improved economic outlook. Earlier this month it joined the North American free trade agreement with Canada and the US.

Clinton seeks to clarify record on military service

By Jurek Martin in Washington

MR Bill Clinton, the Democratic party's presidential candidate, yesterday sought "to set the record straight" on one of the more profound question marks over his character, his avoidance of military service during the Vietnam war.

Addressing an ex-servicemen's convention in Chicago only hours after President George Bush had given a speech from the same podium, Mr Clinton said he was relieved he did not have to join the military "not because I didn't want to serve my country, but because I believed so strongly that our policy in Vietnam was wrong".

He repeated the circumstances in 1969 which drew him away from the military: that, while studying at Oxford, he had contemplated joining the reserves, changed his mind, entered the draft lottery and drew a number low enough to ensure he would never be called up.

He then said, to applause, that he respected the right of his audience not to vote for him as he had not served, but hoped "you will cast your vote looking towards the future rather than remaining fixed to the problems of the past".

In his speech, devoted mostly to his foreign policy record and his commitment to a strong national defence, Mr Bush had only said of his military service in the second world war that "I was scared, but I was willing". This followed an earlier statement released by his campaign accusing Mr Clinton of "inconsistencies" in his presentation of how he had avoided military service.

Both candidates were warmly received, which must have gratified Mr Clinton in particular given the conservative nature of the American Legion. He said he would have gone to Vietnam if ordered and that he honoured, then and now, those who went.

Staking out the generational divide between himself and Mr Bush, he said it was "perhaps inevitable" this year and in elections to come that people should ask if someone who had never served in the military was fit to act as the nation's commander-in-chief. He cited Abraham Lincoln, Woodrow Wilson, Franklin Roosevelt and Ronald Reagan as great commanders without personal experience of military service.

Mr Clinton promised he would not shrink from using force to defend the national interest. His proposed five-year defence budget was only 5 per cent less than the president's but, he insisted, US forces needed to be restructured to meet "less predictable" post-cold war demands.

● American consumer confidence this month fell to its lowest level since March, according to the latest survey by the Conference Board, the business research organisation.

Its widely watched index stood at 58.0 in August, down from a revised 61.2 in July. The base of 100 reflects 1985 levels of consumer confidence.

The director of research said the drop was moderate, but the continued sag in consumer spirits was "disconcerting".

Chile flirts warily with popular capitalism

Leslie Crawford on an unforeseen legal loophole

IN THEORY, Mr Victor Canete should be a rich man. As a technician in Chilectra Metropolitana, Chile's biggest power distribution company, he was encouraged to buy shares when it was privatised in 1985.

Like most of his colleagues Mr Canete joined a new legion of popular capitalists by dipping into his severance pay fund to take part in the government's share offer to Chilectra employees.

But in 1987 Chilectra's general manager, Mr Jose Yuraszeck, and other executives devised a way of gaining control of the government's last remaining stake in the company. They persuaded employees to swap their shares for "ownership rights" in two investment societies – known as "Chispitas 1 and 2" – controlled by Chilectra executives. The shares were used as collateral against bank loans that allowed the executives to buy a controlling stake in the company.

Chilectra and its holding company Enersis have grown through diversification and a series of astute acquisitions. Profits have grown exponentially and their shares are hot favourites on Santiago's buoyant stock exchange.

Yet Chilectra's employees, who helped jump-start the privatisation programme in Chile when its success was less than certain, have seen only a fraction of this bonanza.

Their share of Enersis' profits has gone to repay the Chispitas bank loans used to finance acquisitions.

Mr Marcelo Brito, Enersis's financial director, says employees were warned their participation in Chispitas would be a long-term investment. He says employees have received 30 per cent of the dividends due – which last year amounted to about three months' pay.

But some employees believed they were duped into exchanging a highly liquid asset – Chilectra shares – for theoretical ownership rights in investment societies they do not control.

"Our shares are trapped. We cannot appoint nor dismiss Chispita directors and we have no say in their investment decisions," says Mr Canete, now president of one of the Chilectra unions.

Employees can only sell their "ownership quotas" to other employees of the Enersis holding. These are internally traded at a deep discount to their asset value.

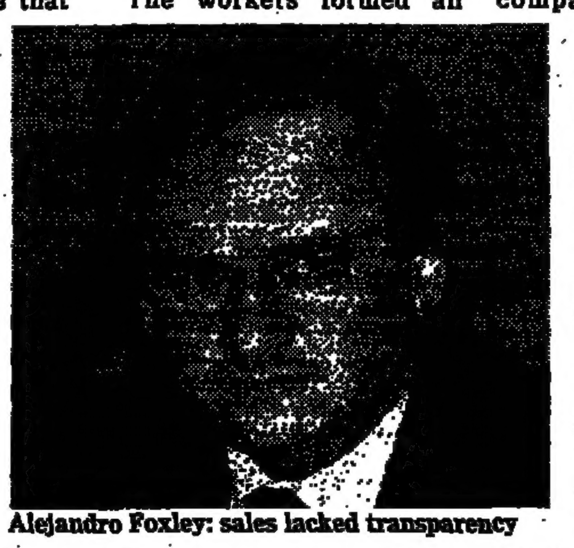
Mr Canete says most employees want their shareholding to be translated into a real say in the running of the company. Failing that they want the Chispitas wound up to enable them to cash in on the real value of their investments.

Enersis' executives are members of an emerging group in Chile's small business community who control former state-owned companies without actually owning them.

Chile's privatisation programme was halted after the return of democracy in 1990. Mr Alejandro Foxley, finance minister, says the sale of state companies "lacked transparency". But the new government has not probed alleged irregularities, despite the fact that many Chileans feel aggrieved by the way companies were sold under the military regime.

At Soquimich, the world's biggest iodine producer, employees originally received shares in lieu of productivity bonuses.

The workers formed an investment company, Pampa Calichera, which built up a 20 per cent stake in Soquimich. The investment company became the target of two rival takeover bids, one led by Mr Eduardo Bobenreith, a former general manager. He lost to the company's present executives, who used a company called Inversiones Oro Blanco.


Alejandro Foxley: sales lacked transparency

The workers were persuaded – some union leaders say forced – into exchanging their shares in their own investment company for cash and shares in management-controlled Oro Blanco. Both Mr Bobenreith and Oro Blanco were made to pay heavy fines by Chile's securities watchdog for breaching takeover regulations but by then the takeover had been accomplished.

The privatisation of Iansa, a huge agri-industrial complex supplying 80 per cent of Chile's sugar, was launched with an employee share-ownership scheme and a share offer to sugar beet farmers. Together they formed an investment company, Campos Chilenos, that became embroiled in a bitter takeover battle.

The struggle pitted Campos Chilenos against French sugar trader Sucres et Denrées (Sucden) and a subsidiary of Continental Bank of Chicago, which together held a majority stake in the sugar monopoly. Two years of law suits, injunctions and fierce boardroom battles paralysed the company. Iansa's profits plunged, as did its share price and that of Campos Chilenos.

Sucden and Chicago Continental gave up the battle at the end of 1991.

Campos Chilenos, unlike the Chispitas, is traded on the stock exchange so employees were free to buy and sell their shares. However, some employees still believe they were used as pawns in a corporate power game: fewer than half of the company's employees now retain shares and employees no longer control the company.

The proliferation of closed investment societies as vehicles for corporate control exploits a loophole in Chilean company law. Closed societies are accountable only to their members and fall outside the jurisdiction of the Chilean securities commission. Nevertheless, the loophole has begun to worry the authorities, as well as business leaders who have resisted the temptation offered by this legal twilight zone.

In the US, companies can obtain tax advantages if they promote employee share-ownership programmes (Esops). But according to Mr Guillermo Morales, a Chilean lawyer who worked with Esops in Chicago, these schemes come with important safeguards to prevent them becoming sitting ducks for predators.

"US companies acknowledge that share ownership changes the contractual relationship between the company and its employees," says Mr Morales. "Chilean labour law is ill-suited to deal with this new relationship."

Mr Morales also believes that Chilean employees lack the sophistication of their counterparts in the US. They are often unaware of their rights, fear victimisation, and lack good legal counsel.

"There is a huge gulf between the paternalism that still governs industrial relations in Chile and the move to create a modern capital market with a broad ownership base."

For Latin American and east European countries currently pushing through privatisation programmes, the Chilean experience points to the need for effective legislation to protect the rights of individual shareholders, lest executive control makes a travesty of the notion of popular capitalism.

Banks named in Bombay scandal report

By Shiraz Sidhva and R C Murthy in Bombay

BANKS including Citibank and Bank of America contravened the guidelines of India's central bank by using investment management schemes as deposit substitutes, according to an official report on the Rs35bn ($1.25bn) Bombay securities scandal published yesterday.

The report, from a committee appointed by the Reserve Bank of India (RBI) and headed by Mr R. Janakiraman, tackled subjects including the portfolio management schemes which were marketed by banks particularly to public sector companies with surplus cash.

The committee said that while banks offering portfolio management schemes had, in their documentation, broadly conformed to RBI guidelines, the schemes were used as deposit substitutes. Clients believed they would be entitled to higher rates of interest without any risk, for short-term deposits.

Under Indian regulations, funds placed with banks under portfolio management schemes have to remain with them for at least a year. However, several banks offered facilities for so-called "ready-forward" or repurchase transactions. Securities, bonds and units were sold to clients on a ready basis and repurchased after the specified period, assuring the client a guaranteed rate of return with no risk.

The committee said that almost 90 per cent of the total investments made out of funds of portfolio management schemes (PMS) were accounted for by three banks: Citibank, accounting for Rs12.98bn, or 55.73 per cent of the investment, Canfina Mutual fund accounting for 19.4 per cent and Syndicate Bank accounting for 14.48 per cent.

According to the report, Citibank has argued that there was no violation, since the transactions were through portfolio management scheme funds kept by clients, and RBI restrictions on ready forward transactions did not apply to these funds.

The Janakiraman committee said it would further examine the matter, but "it does illustrate the dangers involved in the use of portfolio management scheme funds to bypass RBI guidelines in general".

Between April 1 last year and May 31 this year Citibank, one of the major participants in the securities market, entered into ready forward transactions for an aggregate value of Rs59.72bn.

Bank of America, according to the report, undertook nearly a thousand "off the books" transactions, totalling Rs69.54bn, offering more than double market rates of interest, for periods of 15 to 60 days.

Standard Chartered, the British bank, which has been at the heart of the financial scandal, operated a scheme called Corporate Cash Deployment Services. Funds received and outstanding under the scheme at March 31 this year were about Rs7bn at its Bombay branch alone.

The committee has said the Joint Parliamentary Committee appointed to investigate the scandal would fix responsibility for the malpractices.

Japan delays sale of NTT share tranche

By Emiko Terazono in Tokyo

THE Japanese government announced yesterday that it would postpone the sale of a tranche of shares of Nippon Telegraph and Telephone, the former state-owned telecommunications company, in order to avoid depressing the Tokyo stock market.

The recent slide in NTT shares, prompted by fears that the additional tranche would depress the stock price, has helped drag down the market in the past few weeks. The Tokyo market remains vulnerable, although the Nikkei average has rebounded from its six-year low reached last week following a government announcement to support the country's ailing banks.

Mr Tsutomu Hata, the finance minister, said plans to offer the remaining government-held NTT shares during the two years to March 1994 had been suspended. "The negative impact could be large on the market," he said. The government, which still owns two thirds of NTT, was forced to postpone planned sales of 500,000 shares last fiscal year because of sluggish market conditions.

The decision means that the government, which had hoped to use revenues from NTT shares to fund part of its public works projects, will need to find other means. Mr Hata said the Finance Ministry was considering issuing construction bonds to procure funds.

Mr Hata said the share price of NTT, which rose as high as Y3.18m ($25,520) in 1987 and has rebounded from its record low of Y453,000 reached earlier this month, was a "symbol" stock on the Tokyo market.

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Cabinet approves Emperor's visit to China

By Steven Butler in Tokyo

EMPEROR Akihito and Empress Michiko of Japan are to pay an official visit to China in October to mark the 20th anniversary of the restoration of diplomatic relations between China and Japan.

The visit, approved by the Japanese cabinet yesterday morning after months of national debate, promises to be rich in historical as well as contemporary political significance.

Relations between China and Japan go back 2,000 years, but this will be the first visit by a Japanese head of state to China.

Approval of the visit comes after repeated invitations from the Chinese, and marks something of a diplomatic coup for them, as it will further ease the isolation imposed on them after the suppression of democracy protests in Tiananmen Square in 1989.

The visit is fiercely opposed by right-wing nationalists in Japan, who fear China will use the visit for its own political purposes and may try to get the Emperor to apologise for Japan's behaviour during the war, or press for war reparations.

A Foreign Ministry official, however, said: "The Emperor is not going to China to apologise." The visit is to promote friendship and goodwill.

But anti-Japanese sentiment among Chinese stemming from the brutality of Japanese troops during the war remains strong, and the imperial family is still linked symbolically to the events of that period. The Emperor will not find it easy to summon words expressing sincere regret that will please both his Chinese hosts and critics at home, many of whom believe Japan was not responsible for the war.

The Foreign Ministry official said the government was responsible for the Emperor's remarks during the visit. He admitted, however, that the issue was highly political and would be subject to careful consultation between the prime minister's office and the palace.

The Chinese have assured the Japanese that everything will be done to spare the Emperor embarrassment during the visit. Approval of the visit reflects a fundamental Japanese policy of trying to engage the Chinese in regional diplomacy rather than trying to isolate the country.

"Good relations between China and Japan should contribute to peace and stability in Asia and the world," the official said. "It is wrong to drive China toward the road to isolation."

Akihito: promoting goodwill

Central bank governor will not relax monetary policy

S African recession deepens

By Philip Gawith in Johannesburg

THE fragility of the economic background to South Africa's political transition process was yesterday underlined by Dr Chris Stals, governor of the Reserve Bank, the country's central bank.

At the bank's annual general meeting in Pretoria, Dr Stals described the past year as one of "frustration and disappointment". The longest recession since 1945 had deepened – real gross domestic product fell at annualised rates of 2 and 2.5 per cent in the first and second quarters of 1992.

Despite the weak state of the economy, Dr Stals resisted calls to relax monetary policy in order to boost the economy.

He also rejected pleas to devalue the rand, endorsed last week by the Old Mutual, the country's largest insurer.

Dr Stals said the country could only enjoy lower nominal interest rates when inflation had been brought down. It has exceeded 10 per cent a year for 20 years, and is now running at 15.1 per cent, according to the June consumer price index.

"The reduction of the inflation rate must remain a policy priority, even in the present subdued economy," he said.

Acknowledging that serious problems of poverty, unemployment and a declining standard of living would be exacerbated by another year of contraction – 1992 will be the sixth year of decline since 1982 – Dr Stals commented: "Neither the cause of, nor the solution to this dilemma, should be looked for in monetary policy."

He highlighted the "ominous trend" in government finances, where growth in revenue continues to lag behind expenditure growth, but noted that Mr Derek Keys, the finance minister, was "strongly determined to reduce state spending as a ratio of gross domestic product".

The bank's net reserves had risen to R11.3bn ($3.98bn) at the end of June – covering roughly two months of imports – from net reserves of R400m three years before, allowing the bank to support a relatively stable exchange rate for the rand.

Malaysia makes plea over Malacca Strait

By Kieran Cooke in Kuala Lumpur

MALAYSIA has appealed for financial help from countries using the Strait of Malacca for the purchase of navigation and monitoring equipment.

The appeal comes after a cruise liner carrying more than 530 passengers and crew sank in the Strait following a collision early on Sunday morning with a fishing vessel. At least two people were killed and up to 11 others are missing, believed dead.

Dr Mahathir Mohamad, Malaysia's prime minister, said it was only fair that those using the Strait should pay for its upkeep.

He said the Strait, through which up to 2,000 vessels pass every 24 hours, should be treated in a similar way to the Suez or Panama canals. In the past Malaysia has suggested that a levy be imposed on countries or ships using the Strait, a move firmly opposed by shipping companies.

Naval vessels with divers were trying to find the wreck of the Royal Pacific, which was on a trip advertised as a "Cruise to Nowhere".

Most of the survivors were picked up by passing ships and brought to Singapore, where the cruise started on Friday.

Three naval vessels are searching for the eight missing people – five Singaporeans, one American, one Burmese and one Indonesian.

Afghan leaders seek peace talks with mujahideen

By Farhan Bokhari and agencies in Islamabad

TWO senior members of Afghanistan's ruling Leadership Council yesterday said they would go to Kabul to negotiate an end to fighting between rebel mujahideen and Afghan government forces that has killed thousands.

Vice-President Mohammad Nabi Mohammadi and Younis Khalis, leader of a Hezb-e-Islami faction, plan to go to Kabul or its surrounding province today, officials said.

Hundreds of Kabul residents streamed out of the capital, taking advantage of a lull in rocketing of the city centre while hardline Hezb-e-Islami fighters confined battles with government troops to the battered southern suburbs.

Meanwhile, the United Nations secretary-general's personal representative on Afghanistan, Mr Sotirios Mousouris, is to meet senior western diplomats in Islamabad today, as the UN prepares plans to launch a $10m international emergency relief appeal for the war-torn country.

A new round of mujahideen conflict between dissidents of the Hezb-e-Islami group led by Mr Gulbuddin Hekmatyar and the government of President Burhanuddin Rabbani has left at least 2,000 people dead in the past fortnight. Approximately 100,000 people are estimated to have left Kabul in that time, including many diplomats and UN officials.

Mr Hekmatyar has demanded the removal of Uzbek militiamen from the city on the grounds that the militia's commander, General Rashid Dostum, was closely allied to the communist-backed former head of Afghanistan, President Najibullah. However, Mr Rabbani's government has refused to part with Gen Dostum.

There are no clear signs of an end to the fighting.

But countries which backed rival factions during the Soviet occupation and the subsequent Moscow-backed Afghan governments, are now not supplying any side with arms.

Continued fighting has raised fresh concerns about security of the region as well as prospects for Afghan refugees and rebuilding of the country.

Diplomats and senior officials are also concerned that continued fighting may spill over into neighbouring Pakistan, Iran and the new central Asian countries.

Mr Mousouris is expected today to press his case for a $10m emergency appeal to assist with food aid, medical supplies, shelter material and continuation of mine clearance operations, despite the fighting.

A woman leads children to a food point at the Somali refugee camp at Bedale. The International Committee of the Red Cross yesterday urged proper co-ordination of relief efforts to the starving country, warning that just dumping food there could lead to further strife, AP reports from Nairobi. The Red Cross warning came days before the US plans to start airlifting food into Somalia where up to 2m people are threatened with imminent starvation.

Iraqi warplanes 'leave south'

IRAQ appears to have removed all fixed-wing warplanes and some attack helicopters from southern Iraq in advance of allied plans to shoot down such aircraft which fly in the region, the US Defence Department said yesterday, Reuter reports from Washington.

Mr Bob Hall, the Pentagon spokesman, said Iraqi fixed-wing warplanes had been removed "in the last few days" from the area south of the 32nd parallel, where the Iraqi military has been attacking Shia Moslem dissidents.

Meanwhile a US admiral said yesterday Iraqi warplanes which defy a proposed "no-fly zone" in southern Iraq would probably be shot down on sight without warning.

"I would guess that if the scenario plays out the way it is envisaged now, they would be given an adequate warning by diplomatic notice not to fly in that particular area," Rear-Admiral Brent Bennitt told reporters on the aircraft carrier USS Independence.

Lebanese minister threatens to go

Lebanese Foreign Minister Faris Bouez said yesterday he would resign if the government refused to halt Lebanon's controversial first general election for 20 years, agencies report from Beirut.

Mr Hussein Husseini, the pro-Syrian parliamentary Speaker, quit on Monday, accusing the Iranian-backed Hizbollah of cheating in Sunday's first-stage vote.

No timetable for privatisation

Taiwan has no schedule for beginning sales of shares in three financial institutions under its privatisation drive, Reuter reports.

The government has said it will begin privatisation of Chiao Tung Bank, Farmers Bank of China and Chung Kuo Insurance during the financial year to next June. "We have not prepared a timetable for the listing or selling of the stocks of these firms during the year," the Monetary Affairs Bureau said.

Manila N-plant talks start

The Philippines and Westinghouse Electric opened talks to settle bribery allegations and allow the US company to operate a mothballed nuclear plant in the country, Reuter reports from Manila.

The talks began at the Central Bank in Manila on the terms of an accord agreed in March, former Senator Vicente Paterno, who heads the Philippine delegation, told reporters.

Jakarta urged to ban plutonium ship

Indonesia's leading environmental group urged the government yesterday to ban a Japanese ship transporting plutonium from passing through its waters in the straits of Malacca, Reuter reports from Jakarta. "We ask the government to refuse the ship carrying plutonium the right to enter Indonesian waters," the Indonesian Environmental Forum said.

The Japanese-registered Akatsuki Maru left Yokohama for the French port of Cherbourg on Monday to collect a tonne of radioactive plutonium reprocessed from spent Japanese nuclear fuel.

Watanabe heads for Russia

Japanese Foreign Minister Michio Watanabe will leave on Saturday for a seven-day visit to Russia, a foreign ministry spokesman said yesterday, Reuter reports from Tokyo.

He will meet President Boris Yeltsin to prepare for a visit to Tokyo by Mr Yeltsin in mid-September.

Nigeria postpones election primaries

Nigeria has delayed for the second time in a month presidential primaries following massive rigging at the first attempt which threatened the military government's transition to civilian rule programme, Reuter reports from Lagos. The government also announced that a decree was being prepared to punish anybody caught trying to disrupt the rescheduled primaries on September 12, 19 and 26.

Hopes high for international chemical weapons treaty

An improbable legacy from Saddam Hussein is the end of 24 years of talks. Frances Williams reports from Geneva

THE FINAL draft of an international treaty outlawing chemical weapons will be presented to negotiators for approval today, 24 years after talks began in the 39-member United Nations Disarmament Conference in Geneva. For this belated achievement the world can perhaps thank President Saddam Hussein.

Iraq's threat to use chemical weapons against allied forces in the 1991 Gulf war – having already done so against Iranian soldiers and Iraqi Kurds – turned the spotlight on this fearsome form of warfare. More important, it convinced the US that chemical weapons were of no military value, even for reprisal against a chemical attack.

Shortly afterwards, the Bush administration dropped its controversial insistence on retaining a small weapons stockpile and the right to retaliate in kind until all nations suspected of possessing toxic arms had endorsed the pact. This change of stance paved the way for completion of the treaty.

The draft 190-page accord goes far beyond the 1925 Geneva Protocol which forbids use, but not possession, of toxic arms. The proposed treaty will prohibit development, production, stockpiling, transfer and use of chemical weapons, and require the destruction of existing stocks and production facilities within 10 years of coming into force.

The treaty also bars the use of herbicides and other toxic chemicals "as a method of warfare", although it allows non-toxic chemicals such as tear gas, which cause temporary disablement, to be used for riot control.

Compliance will be policed by an international secretariat based in The Hague, under the direction of a 41-member executive council. The Organisation for the Prohibition of Chemical Weapons, with up to 1,000 staff and an annual budget of $150m-$180m, will verify destruction programmes, inspect all military facilities and civilian plants producing chemicals that could be used for armaments, and carry out routine monitoring and random checks on other civilian chemical installations.

Countries suspected of cheating will be subject to short-notice challenge inspections, though obviously frivolous challenges will be thrown out if three-quarters of the executive council agree.

These provisions attempt to strike a balance between effective verification and protection of military and commercial secrets. Washington backed off from its original demand for challenge inspections "any place, any time" because the defence department did not want inspectors snooping around sensitive military installations pretending to look for chemical weapons.

While countries will not be able to bar inspectors from a site altogether, a procedure known as "managed access" will allow them to shroud equipment, hide documents, shut down computers, even restrict individual inspectors to different parts of the site.

Western diplomats claim this will adequately protect secrets unrelated to chemical weapons while still enabling inspectors to detect the "clear signatures" of toxic arms and equipment.

"The treaty adequately protects legitimate national security interests while maintaining the ability to detect militarily significant cheating," says Mr Stephen Ledogar, head of the US disarmament delegation in Geneva.

A country will have at least 12 hours' notice of the challenged site before the inspection team arrives at the airport or frontier. It must transport the team to the site within 36 hours but, if it contests the site boundaries, a further 72 hours may elapse before the team can enter.

However, Mr Adolf von Wagner, chairman of the Disarmament Conference's Ad Hoc Committee on Chemical Weapons, says it would be impossible to "clean" a site within five days, especially since everything going in or out must be accounted for.

So far, only the US and Russia, of the half a dozen countries thought to have militarily useable chemical weapons stocks, have declared possession. Iraq's stocks of mustard gas and nerve agents are being destroyed by UN experts. Diplomats in Geneva believe that up to 20 other nations may have facilities capable of production or abandoned weapons on their territory.

Countries must not only pay for eliminating their chemical weapons and facilities, but the verification costs as well. Other expenses of the inspectorate will be met by members according to the UN contribution scale. The US, which calculates that incinerating its 30,000-ton stockpile could cost $6bn-$7bn, has also agreed to foot part of the bill for destroying the 40,000 tons of Russian weapons. Even so, the problems of getting a destruction programme under way mean Russia will almost certainly have to invoke treaty provisions allowing an extra five years to complete the task.

A number of developing countries, notably Pakistan, China, Iran and Indonesia, continue to argue that the inspection regime is too stringent, intrusive and open to abuse. But they are not expected to block the treaty, either in today's meeting of the Ad Hoc Committee or in next week's plenary session of the Disarmament Conference which must forward the text to the UN General Assembly in New York.

Approval by the assembly, probably in December, will be followed by a formal signing ceremony in Paris early in 1993 and the treaty will come into force two years later, provided 65 nations have ratified it.

Western nations are optimistic that the treaty, the most ambitious multilateral disarmament pact ever attempted, will eventually command near-universal adherence. Political and moral pressure will be reinforced by economic leverage. Countries which refuse to join will face curbs on their chemicals trade.

More than 50 nations, including all members of the Conference on Security and Co-operation in Europe have said they will sign the treaty in Paris. Diplomats expect Middle East countries to join as part of broader security deals emerging from current regional peace negotiations.

THE MARKETS UNDER STRAIN

ERM hit by weak dollar and high interest rates

THE combination of the dollar's fall and high European interest rates brings a series of sharp dilemmas for the governments and central banks running the European monetary system. Not only in the UK, but also Germany, France and Italy, the pressures are on the rise.

The German Bundesbank, whose tight monetary policies represent one of the root causes of the strains in the exchange rate mechanism (ERM), faces a more difficult predicament than is often supposed.

The weak dollar, by reducing the competitiveness of German exporters, represents a further depressing influence on the west German economy, starting to flag after three years of buoyancy.

While sales to the US account for only 7 per cent of total German exports, UBS Phillips & Drew estimates German industry's total exposure to the dollar is about 15 per cent, including other dollar-linked markets.

Mr Richard Reid, an economist with UBS in Frankfurt, says the Bundesbank might well accept the need for more companies to produce abroad as the price for inflationary success at home.

Another analyst, concerned about the effect of the dollar's weakness is Mr Thomas Mayer, a Frankfurt-based economist at Goldman Sachs. "This puts an enormous squeeze on the German export industry...it also increases the risk that the German economy will fall into recession in 1993." Worries like this accounted for a further fall in German share prices yesterday, with export-oriented stocks leading the decline. In Frankfurt, the DAX share index lost nearly 2 per cent, bringing it to the lowest level since February, 1991.

Fears of economic downturn will raise pressure on the Bundesbank to cut interest rates this autumn sooner than it currently wants to. On the other hand, if it maintains its tough interest rate stance, the Bundesbank may end up provoking heavy speculative currency inflows into Germany which would counteract its efforts to damp money supply growth.

If sterling or the lira fall to their ERM floor, the Bundesbank is obliged, along with central banks of the weak currencies, to sell D-Marks to maintain parities.

The close link between the ERM turbulence and the September 20 vote brings particular problems for the French finance ministry. The currency unrest could scarcely have come at a worse time for the French government, anxious to paint a picture of economic and political stability during the run-up to the referendum.

The government knows that its standing could be damaged if monetary pressures cause it to change its economic policy, either by raising interest rates or devaluing the franc within the ERM.

If the French government was forced to raise interest rates to protect the franc, this year's economic growth would almost certainly fall short of the 2 per cent forecast by the Organisation for Economic Co-operation and Development.

None the less, the dollar's decline could still have an effect on the electorate by adding to worries about the economic outlook.

French companies have fared well on the export front so far this year. However exports could flag if the dollar remains at current levels.

In Italy, the government's options in response to ERM pressures are even narrower than in France. Italy's new administration seems ready to watch the lira lose ground against the D-Mark, even if the exchange rate is widely taken as a barometer of the country's economic health.

The government appears to be making a distinction between adverse currency movements which affect the lira alone, and those which are part of a general trend, as at present.

Last month, the Bank of Italy moved quickly to raise the discount rate in two stages to 13.75 per cent when the lira came under immense speculative pressure.

By contrast, the lira's current plunge is conceived as part of a much wider problem based on the gap between German and US interest rates. As long as the lira is not singled out for particular attack on the foreign exchanges, the government seems willing to put the onus on the Germans to act.

Should speculative attention turn specifically against the lira, then a further rise is inevitable.

Reports by Andrew Fisher in Frankfurt, David Marsh in London, Alice Rawsthorn in Paris and Haig Simonian in Milan

Central banks losing the fight over the dollar

By James Blitz

THESE are worrying days for the world's central bankers. For the past six weeks, they have been steadily losing the fight to stop the fall of the US dollar against the D-Mark.

They have tried to control the dollar by intervening in the foreign exchange markets, buying the US dollar for D-Marks to try to hold its exchange rate. But this tested method of controlling the market has failed.

"I have to go back a long way to remember a time when central bank intervention has collapsed so miserably," said Mr Julian Simmonds, head of foreign exchange dealing at Citibank in London.

Since the mid-1980s, intervention has been effective in controlling markets. Dealers are wary of central banks, knowing they have far larger foreign currency reserves than most investors, but five interventions since July 20 have failed to turn the dollar.

"Their intervention has proved ineffective and even counter-productive," said Mr Neil MacKinnon, chief economist at Yamaichi International in London.

There are several reasons:

● The markets believe there is lack of co-ordination among G7 members over monetary policy.

Intervention is most likely to work when it reflects clear changes in monetary policy and interest rate movements. In 1985, the Fed managed to prevent the dollar rising too high against the D-Mark by buying small quantities of dollars on the foreign exchanges.

The current situation is different. The world's central banks are intervening against the grain of monetary policy, because there is a differential of 6.75 percentage points between US and German short term rates.

● Dealers believe that intervention is being poorly co-ordinated on a technical level because of these discrepancies in monetary policy.

The market is uncertain about Bundesbank commitment to support the dollar. By buying dollars in intervention operations, the German central bank puts large numbers of D-Marks into circulation. That upsets its key goal, containment of monetary growth.

● Interventions have run into technical difficulties because the market is not sufficiently short of dollars, even though the dollar/D-Mark exchange rate is plummeting.

> "It's a long time since central bank intervention has collapsed so miserably"

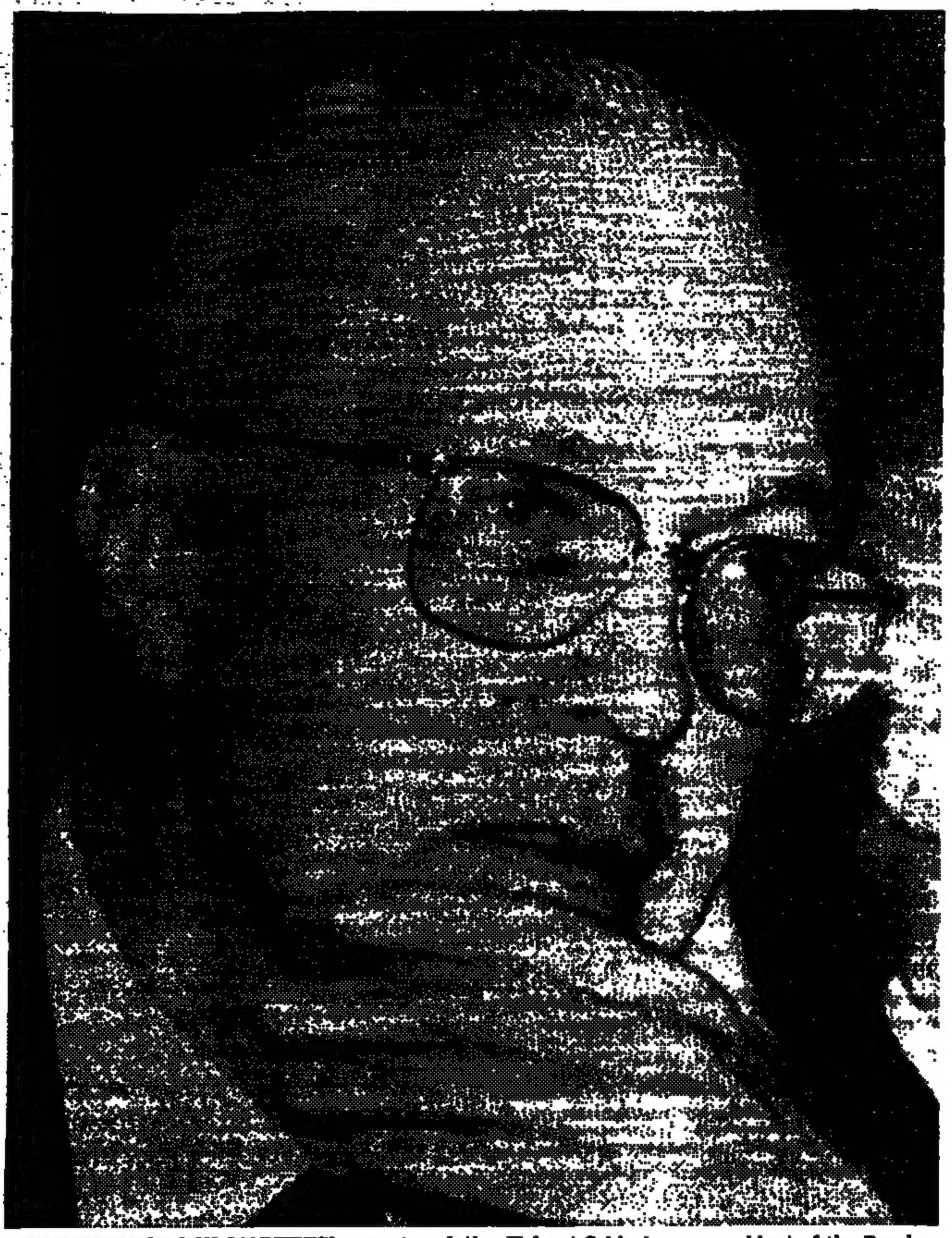
A successful intervention should "squeeze" the market like contracting elastic. First, the market sells dollars, pushing the dollar/D-Mark exchange rate down. Central banks then reverse the exchange rate trend, and dealers rush to buy for fear that it will be more expensive to do so if they delay.

One necessary element is that the markets be taken by surprise. However, since the end of July, dealers have been expecting intervention and held on to some dollars. The central banks cannot therefore trigger a rush in the opposite direction.

"The central banks have not frightened the market, they have anaesthetised it," says Mr MacKinnon.

The US central bank could argue that it has never intended to reverse the dollar's decline, knowing this is impossible. Instead, their policy may be to slow the dollar's fall, ensuring that the decline does not turn into a rout.

This view is underlined by the modest level of intervention. At the beginning of 1989, the Group of Seven leading industrial nations spent \$3bn in one week to support the dollar against the Japanese yen in a successful operation. The central banks have spent that much in the last six weeks.



WHAT NOW FOR THE MARKETS?: a contemplative Helmut Schlesinger, president of the Bundesbank, whose high interest rate policy has put the dollar and other currencies under pressure

Obligations of European ERM members

MEMBERS of the European exchange rate mechanism are obliged to intervene in foreign exchange markets to support currencies above their agreed floors during European trading hours, writes Emma Tucker.

This means that unlike the dollar, ERM currencies have a guaranteed floor beyond which the market cannot push them. If, for example, the pound or lira were to hit their floors, the UK and Italian central banks would move in with open bids to buy the currency at that rate, thereby guaranteeing a sale for foreign exchange dealers. In practice central banks are likely to take action before their currencies reach their outer limits.

Yesterday the lira and sterling moved within fractions of their floors but moved back up before the Bank of England and the Bank of Italy were obliged to intervene.

The obligation to intervene means countries may have to draw on their reserves, sometimes very heavily. The European monetary system provides for a very short term financing facility (VSTF) under which unlimited credit is automatically available to finance intervention.

Another option is to raise short term interest rates. The system also provides for realignments in which currencies may be devalued or revalued but the presumption is that such a move is a last resort. Realignments must be agreed between all EMS members.

Bank of England battles the fear of devaluation

By Peter Marsh, Economics Staff

EVEN if Britain's efforts to prop up the pound succeed over the next few days without a politically damaging rise in interest rates, it faces a long battle to remove fears about a devaluation from the financial markets.

Partly explaining the pound's slide against a strong D-Mark – it finished last night in London at DM2.7875, its lowest close yet in the European exchange rate mechanism (ERM) and less than 1 pfennig above its floor – is the dollar's fragility.

The markets are also worried that a "no" vote in the September 20 referendum in France on Maastricht might lead to large selling of the weaker ERM currencies, including the lira as well as the pound.

Another key factor is persistent doubts in financial markets about whether Britain might devalue the pound by leaving the ERM. That decision might be forced on Britain should public disquiet grow at the economic effects of maintaining high UK interest rates, now at 10 per cent, as a result of continuing ERM membership.

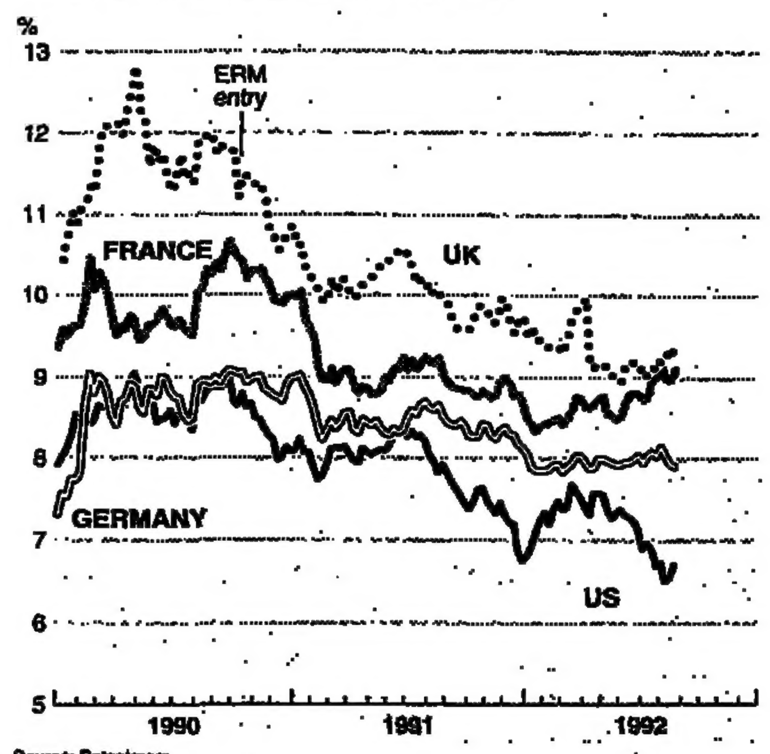
Although the UK government has repeatedly stressed its resolve to keep the pound within its existing ERM band, the pressures on Britain to bring down interest rates are particularly strong. The UK is suffering its longest peacetime recession since the 1930s, with little recovery in sight.

Mr John Lipsky, chief economist at New York investment group Salomon Brothers, said: "The markets doubt whether the economic costs of high short-term interest rates in the UK are sustainable politically."

Mr Steve Hannah, research head at IBJ International, securities wing of the Japanese bank, said the UK had a "special credibility problem" about its ERM commitment that did not apply to other members.

Doubts in financial markets about Britain's resolve in sticking to the ERM are apparent in the UK's high long-term interest rates, as measured by yields on 10-year government bonds, relative to those for most other ERM nations.

10 year benchmark bond yields



Source: Datastream

In the past three months, the difference between 10-year interest rates on UK and German bonds has increased from about 1 percentage point to about 1.3 percentage points. In other words, the "risk premium" demanded by financial markets for holding sterling securities as opposed to those denominated in D-Marks has worsened, indicating a heightened perception of devaluation.

Mr Philip Tyson, a bond analyst at the London office of UBS Phillips & Drew, the Swiss bank, said: "Whatever the government might say about not wanting a devaluation, it has to earn its credibility with the markets and that will inevitably take some time."

Supporting Mr Tyson's interpretation is the view that the Treasury and the Bank of England are preparing for a prolonged struggle to stave off the pressure on sterling. The Bank's action in failing to intervene publicly to buy sterling, which would almost certainly boost its value, can be explained by its keenness to keep the measure in reserve.

For the time being, the Bank and the Treasury appear to be hoping that recent intervention by central banks in buying dollars for D-Marks has taken the sting out of the rise of the German currency, and has reduced its effect on depressing sterling.

It is a dangerous game, however. Market observers yesterday commented that the Bank might have done better several days ago to seize the initiative and intervene to support sterling, leaving investors in no doubt about the UK's willingness to maintain its value.

The markets are divided about what course of action is correct. Mr Peter Spencer, chief economist at Kleinwort Benson, London investment bank, said: "The Bank is moving forward [to defend the pound] in stages. The attack on sterling might have got past the first line of defence, but there are still plenty of trenches to breach."

Mr Tyson of UBS has a different opinion: "The effort to earn credibility is not an easy one. We could find that sentiment about sterling is so poor that even if Britain raised interest rates immediately by a full percentage point, this is not enough to keep the currency above its ERM floor."

NEWS: WORLD TRADE

Canadian company to print banknotes for Tajikistan

By Chrystia Freeland in Kiev and Bernard Simon in Toronto

THE former Soviet republic of Tajikistan is enlisting Canadian help to print its currency, under a pact with the Ottawa-based Canadian Bank Note Company (CBNC) to build a banknote printing plant.

CBNC, which will build the plant in a joint venture with the central Asian state, hopes that it will be working within a year, and that it will eventually export banknotes to other former Soviet republics, the Middle East and Asia.

The deal highlights fierce competition among western banknote manufacturers for opportunities in those former Soviet states leaving the rouble zone.

In the most important order to date, CBNC, which prints banknotes for Canada and Caribbean, Middle East and South American countries, has agreed to print 1.5bn notes of the new Ukrainian currency, the hryvnia. This C\$36m (£15.2m) order was backed by a C\$50m Canadian government credit line.

Among the Baltic states, Estonia has introduced its own currency, the kroon, printed by the UK-based De La Rue, the world's biggest security printer, and US Banknote, the biggest US security printer.

Giesecke & Devrient, the Munich company which prints 50 per cent of the Bundesbank's D-Marks, has won an order for Latvia's new currency, as has US Banknote for Lithuania. Mr Michel Aime, managing director of the Paris-based Oberthur banknote printing group, confirmed they were seeking orders from former east bloc states. "The biggest problem is the financing."

Among executives of De La Rue Giori, the 50 per cent-owned Swiss-based subsidiary of De La Rue, assigned to market its capabilities with the National Bank of Ukraine last year was Mr Maxime Mitterrand, nephew of France's President François Mitterrand. Mr Mitterrand is no longer employed by De La Rue Giori.

US begins Russian loans facility

THE US Export-Import Bank will begin its first disbursement of loans to Russia in a signing ceremony tomorrow, according to Mr Eugene Lawson, the bank's vice-chairman, writes Nancy Dunne.

All but one of the seven deals, worth a total \$102m, were originally contracted with the former Soviet Union. Loans have been held up by the "extremely cautious" policies of Vnesheconombank, the Russian trade bank. Because it has the responsibility for the old Soviet debt, it has moved "prudently" before approving new deals, said Mr Lawson.

The signing will cap a busy month for Eximbank. Recent Eximbank deals providing financing for US sales to Latin America, include:

● Two new guarantee facilities and one renewal of a guarantee totalling almost \$70m for the sale of goods and equipment to Mexico.

● A loan guarantee supporting a \$74.3m sale of equipment and engineering services to Corpoven, a subsidiary of Petroleos de Venezuela.

● A \$17.4m guarantee for the sale of a turbine generator set to Empresa Colombiana de Petroleos, the state-owned oil company of Colombia.

● A \$21m guarantee of credit to finance the sale of US capital goods and services to Argentine customers of the Banco de Galicia of Buenos Aires.

It has also approved its third "bundling" facility to finance \$57.3m of goods and services to India. Bundling involves a large number of US suppliers and numerous buyers. Eximbank provides a guarantee; the lending bank can hold the credits or bundle them to support one large security issue which can be floated in the capital markets.

Drive for credit cover to Russia

By David Dodwell, World Trade Editor

SOME 300-400 UK companies are this week examining whether planned projects in Russia will win export credit insurance protection, aware that less than one in 10 is likely to win support.

Industrialists welcomed news that Britain is to resume credit cover for contracts in Russia. A £280m credit line for the former Soviet republics, announced in January, has been blocked while the IMF has negotiated an economic restructuring programme with the Commonwealth of Independent States.

Britain's Export Credits Guarantee Department (ECGD) has written to 300 companies and their bankers giving guidelines on what projects would win support. Only those meeting the guidelines are invited to apply for cover.

The ECGD said priority would go to projects self-financing in hard currency, involving continuing management support from the UK exporter, and having appropriate backing from the Russian government. Projects worth \$20m-\$100m would be preferred.

● Britain's Crown Agents have been appointed, on World Bank recommendation, to advise Russia on a \$350m programme to import urgently needed farm, health, transport and energy equipment.

Mexico links with new trade zone

Damian Fraser reports on a framework pact for Central America

MEXICO and the five Central American republics have signed a framework free trade agreement preparing the way for free trade in the region by the end of 1996.

The framework accord provides common guidelines for the bilateral treaties that the six countries – Mexico, Guatemala, Honduras, El Salvador, Nicaragua and Costa Rica – are negotiating, enabling the respective agreements to fold into a common free trade pact by the end of 1996. The goal of 1996 was decided by six heads of state in Mexico last year, but might still be extended.

The agreement marks a remarkable change in a region that for more than two decades has been torn by civil war, or split by bitter ideological differences. All five Central American presidents are democratically elected, keen on Central American political and economic integration, and together with Mexico, are pursuing orthodox, pro-free trade economic reforms.

The overwhelming view in the region – from the former rebels in El Salvador to (most) rightists in Guatemala – is that the area's deep poverty and political instability are best countered through economic reform sponsored by the IMF and World Bank, rather than by revolutionary change or military repression. The average Central American earns about \$2 a day.

The agreement comes just as the Mexican government has concluded negotiations over the North American Free Trade Agreement (Nafta) with the US and Canada. Mexican trade officials are currently meeting their counterparts from Colombia and Venezuela to make progress on their intended trade pact.

Nafta provides terms for other countries to join the trade area, and optimists still hope that Latin America's array of trade agreements will eventually implode into a continent-wide free trade area, stretching from Alaska to Tierra del Fuego. Last year Mexico and Chile signed a free trade agreement, while Brazil, Argentina, Brazil, Paraguay and Uruguay intend to form a common market by 1995.

The proposed Central American trade pact may exclude certain sensitive sectors, such as sugar, as was the case in the Mexico-Chile free trade agreement. The framework agreement gives longer protection to the less-developed countries in Central America, a sign of Mexico's desire to play the statesman, and turn itself into a regional power.

Mexico and Costa Rica are already well advanced on their pact, which could be wrapped up by the end of the year.

Honduras, El Salvador and Guatemala have agreed in principle to begin free trade in goods and financial services by 1993, and to form a common market by 1995. President Rafael Callejas of Honduras has said that the three countries plan to co-ordinate monetary and fiscal policies, and finance trade deficits with each other.

The three Northern Central American countries have promoted a Central American parliament to pave the way for Central American political integration.

The main aim of all Central American countries is to increase their trade with each other from the abysmal levels of the 1980s. The proportion of Central America exports to the region of the total fell from 20 per cent in 1982 to 14.4 per cent in 1990, as war and debt default took their toll on commercial relations and light industry. Honduras, flanked on three sides by El Salvador, Nicaragua and Guatemala, sent just 4 per cent of its exports to Central America in 1990.

Still, the room for expansion is limited by the similarity of many of their exports – agricultural commodities, such as coffee, cotton, bananas and sugar, still form the bulk of the region's exports. While non-traditional exports are growing – particularly in textiles and yarn goods – these, too, are similar across the isthmus.

Further, many Central Americans are fretting that Mexico's preferential access to the US will divert trade from the isthmus to Mexico. Nafta will give Mexico a decisive edge over Central America in textile exports since it scraps US quotas and tariff on Mexican textile exports, and requires that textile goods are produced from yarn made in a Nafta country to be eligible for preferential treatment.

Similarly, the US will eventually scrap quotas and tariffs on Mexico's sugar exports – which, potentially, will displace Central America's sugar exports.

The hope is that one day the Central American countries will be granted full tariff-free access to the US market, and the countries have clubbed together in part to show a common front. In the meantime they will at least have full access to the Mexican market, which, if Nafta is passed by the US Congress, is projected to expand rapidly.

Mexican sugar hopes revived: See Commodities Page

Thomson cuts prices to win back market

By Michael Skapinker, Leisure Industries Correspondent

THOMSON, the UK's biggest travel company, called on its competitors yesterday to cut the number of holidays on offer for 1993 but said it would not be doing so itself.

Mr Charles Newbold, Thomson's managing director, unveiled a range of discounts for next summer and warned that the company was ready to cut prices further to achieve its aim of reclaiming a third of the market.

"We've drawn a line in the sand," Mr Newbold said. "We're not going to go backwards so that our competitors can succeed."

Thomson's announcement of its programme marks the start of the battle for next year's holiday business. Owners Abroad, the second largest company, is due to launch its 1993 summer programme today.

Mr Newbold's comments come at the end of a summer which has seen companies cutting prices sharply in an attempt to dispose of an estimated 500,000 surplus holidays. Thomson said it still had up to 130,000 holidays unsold this summer. Thomson's market share has fallen to about 30 per cent.

Mr Newbold accused competitors of behaving irresponsibly by offering too many holidays and said the industry's profits were likely to fall by more than half this year. The number of charter holidays sold in 1992 is likely to be 12 to 15 per cent higher than last year's 10.3m.

He denied that Thomson had itself misjudged the growth of the foreign holiday market. "The only mistake we made was to believe our competitors would be sensible," he said.

Thomson aims to sell 2.25m 1993 summer holidays, the same number it offered this year. The average holiday price has increased by only 3 per cent, suggesting there is unlikely to be a rise in real terms. The decline in the dollar has enabled the company to offer 8 per cent price reductions for holidays to the US and the Caribbean. The price of packages to Spain has, however, increased by 4.5 per cent, while the cost of a holiday in Cyprus has gone up by more than 7 per cent.

The company is also attempting to reverse holidaymakers' growing tendency to book late. Thomson is offering free children's holidays at 230 hotel and apartment complexes to early bookers.

Surge in imports deepens motor industry deficit

By Kevin Done, Motor Industry Correspondent

THE UK motor industry's trade deficit more than doubled in the first half of this year to £1.37bn from £617m in the same period of 1991. The first-half figure was greater than the deficit for the whole of 1991 which totalled £1bn.

The deficit in the second quarter alone more than trebled, from £276m to £834m, as a surge in car imports was accompanied by a sharp reversal in the trend of exports.

The motor industry is becoming increasingly concerned that new car stocks in the UK have jumped to excessive levels.

The surge in car imports in the second quarter was fuelled by car makers' expectations of a significant jump in new car demand in August, the most important month for sales because of the new prefix on car registrations.

The recovery has failed to materialise, however. Figures released yesterday show that new car registrations of 290,550 in the first 20 days of August were only 0.9 per cent higher than the depressed level in the same period a year ago. Sales have failed to rally despite high marketing expenditure by car makers.

The motor industry's overseas trade performance has deteriorated rapidly in 1992 reversing the marked improvement of recent years.

The value and volume of new car imports jumped by 20 per cent in the second quarter from the same period a year ago, despite the absence of any recovery in UK new vehicle demand with the value of car imports totalling £1.85bn.

The surge in car imports has coincided with a serious reversal in the trend of UK new car exports in the second quarter with a 9 per cent fall in value to £959m from the same period a year ago. This reversed a 3 per cent year-on-year increase in the first three months.

The decline in the volume of car exports in the second quarter was even more acute than the drop in value with a fall year-on-year of 18 per cent. The volume of car shipments in the first half at 289,833 was 11 per cent lower than a year ago.

Jaguar to build new engines in Bridgend

By Kevin Done, Motor Industry Correspondent

JAGUAR, the UK luxury car subsidiary of Ford of the US, is to build a new range of V8 engines at the Ford engine plant at Bridgend in South Wales with an investment of more than £100m.

The decision to build the engines at Ford's main UK engine plant rather than at a new Jaguar facility in the West Midlands is the most significant step yet taken by the US car maker to integrate the troubled luxury car maker into its existing operations.

Jaguar said yesterday the decision to build the engines at Bridgend rather than at an alternative site adjacent to its research and development operations at Coventry would save around £15m.

Production of the new generation Jaguar engines is expected to begin in 1995/96 making up to 50,000 engines a year.

Ford has invested heavily at Bridgend in recent years including the building of a £300m plant for its range of Zeta multi-valve engines, which were launched late last year.

Jaguar was taken over by Ford for £1.56bn in late 1989, and the new V8 engine range will form an important part of its ambitious product plan for the second half of the 1990s.

The development programme is aimed at boosting output by the end of the decade to more than 100,000 cars a year, a quadrupling of last year's depressed output level.

The plan, which is expected to involve a capital investment of more than £1bn through the 1990s, centres on the development of three new model ranges, code-named X100, X200 and X300.

Jaguar's strategy for the 1990s includes:

- a revised version of its present XJ6 saloon, codenamed the X300, to be launched in 1994;
- a replacement for the current XJS coupé and convertible ranges, code-named X100, to be launched in 1996 and featuring the Bridgend-built engine for the first time;
- development of the new engine family, first as a V8 – code-named AJ26 – for launch in 1996, but later in V6 form and possibly as a V12;
- the crucial launch, probably in 1998, of a smaller sporty saloon, codenamed the X200, to compete with rivals such as the BMW 5-Series. Jaguar hopes that this car will enable it to more than double its annual production from 50-70,000 for the other car ranges to 100-150,000.
- Figures released by the motor industry yesterday show that Ford, the UK new car market leader, gained ground modestly in the first 20 days of August, the most important new car sales month of the year.

Ford new car registrations rose by 2.7 per cent to 68,000, while overall new car registrations increased by only 0.9 per cent to 290,550.

Vauxhall, the General Motors subsidiary which is in second place, suffered a 2.4 per cent fall in sales to 45,000.

Rover was overtaken by the Peugeot group of France, which includes Citroën, and has fallen into fourth place with a 3.3 per cent drop in sales volume. It captured 11.2 per cent of UK new car sales in the first 20 days compared with 12.2 per cent by the Peugeot group.

The Citroën marque has emerged as the star performer during August with a 31.2 per cent jump in sales in the first 20 days to capture a share of 4.8 per cent.

Engineroom: a Ford worker monitors production at the Bridgend plant in South Wales where Jaguar motors will be assembled

Britain in brief

Few directors optimistic on recovery

Confidence in Britain's economic prospects has plunged in the last two months, according to the Institute of Directors.

The institute's latest survey of business opinion published today shows that only 13 per cent of company directors are more optimistic about the economy. When they were last asked in June, 50 per cent expressed confidence.

But the institute says directors tend to be less gloomy about prospects for their own companies than for the economy as a whole. One third remain optimistic about the outlook for their businesses while the number of companies doing badly is the lowest for 16 months.

Savings switch hits societies

Savings continued to drain out of building society accounts in July because of competition from National Savings. The societies suffered a net savings outflow of £325m, up from £314m in June.

The figure was one of the worst for the industry since September 1986 when the suffered an outflow of £673m as savers withdrew money to take part in the TSB flotation.

The July outflow was less bad than industry predictions which had forecast an outflow of £450m to £500m for the month.

Plasterboard price complaint

Builders have complained to the Office of Fair Trading about increases in plasterboard prices, due to take effect at the end of this month.

Recession hit building companies in London, south west England and Yorkshire fear that large increases in the cost of such a basic building material could turn lowly priced long term contracts into loss-makers.

Reductions in discounts, announced this summer by BPB Industries the country's largest supplier, are expected to raise plasterboard prices on average by about 10 per cent.

Lafarge Coppee of France and Knauf of Germany which, together with BPB, supply virtually all the plasterboard sold in the UK are expected to raise prices by similar amounts.

High costs of O&Y failure

The cost of maintaining Canary Wharf, the failed London docklands property development, in administrative receivership was running at between £800,000 to £900,000 a month creditors were told. Mr Stephen Adamson joint administrator and a partner at accountants Ernst and Young said unsecured creditors, owed £51m, would receive very little if they forced the development to be sold.

BBC wins airline deal

The BBC's World Service Television said it had signed its first deal to supply in-flight television news reports to a large international airline, Cathay Pacific.

World Service Television will replace WTN, whose majority holder is the US network ABC, as supplier to Cathay from September 2, running bulletins on all intercontinental and some regional flights. The airline already takes live BBC World Service radio.

The BBC would not discuss the financial basis of the deal. It is believed that British Airways, which currently uses Independent Television News for its in-flight news programming, is considering switching to the BBC.

Consumer loans up by 12%

The Finance and Leasing Association reported a one per cent increase during the second quarter of the year over the first quarter in consumer lending and business finance.

New lending to the consumer sector rose by 5 per cent to £2.5bn, largely as a result of a 12 per cent rise in unsecured personal loans and a 9 per cent rise in borrowing on store cards.

Rail union in strike ballot

The RMT rail union is balloting almost 200 staff over strike action after four guards were sacked. British Rail said the guards had incited staff at Manchester's Piccadilly station to go on unofficial strike. The RMT says BR breached a local agreement on staffing when managers asked trainee drivers to work as conductors. The ballot result will out early next month.

US group to open plant

Teledyne, the US engineering group, announced plans for its first European manufacturing plant at Cumbernauld, near Glasgow. The £1m, 14,000 sq ft plant will employ about 40 assembling and testing electro-mechanical and solid-state relays, used in commercial and military products.

Firebombs in Shrewsbury

Police have launched an investigation for arsonists who planted incendiary devices at Shrewsbury Castle and a shopping mall in the west of England town.

BRITISH ASSOCIATION

Fibre optics may make business travel obsolete

By Clive Cookson, Science Editor

PEOPLE will be able to send voice, video and text around the world for the price of a local telephone call in the next century and video-conferencing systems will make 90 per cent of business travel unnecessary, the British Association meeting in Southampton heard yesterday.

The predictions came from a panel of opto-electronics specialists, who insisted that they were not indulging in flights of fantasy but reflecting the astonishing progress over the last five years in fibre optic technology.

A single glass strand as thin as a human hair can be made to carry information equivalent to billions of telephone conversations over thousands of miles without any loss, said Professor Peter Cochrane of British Telecom Laboratories, Martlesham.

"Optical communications provide us with an infinite capability to communicate," he said.

The key to this achievement is the erbium-doped fibre amplifier (EDFA), invented at Southampton University in 1987, and now being exploited worldwide.

Professor David Payne of Southampton said: "Commercial EDFAs are now offered by more than 30 companies, which must be close to a record for development of such a new technology."

EDFAs intensify light signals automatically as they shoot down the optical fibres, removing the need to install expensive electronic amplifiers at intervals.

"These developments will shift the bulk of future international telecommunications traffic from satellites to undersea fibre routes," said Prof Payne. "The development of the EDFA has removed a barrier which promises to allow optical telecommunications finally to reach its full potential."

Part of that potential lies in face-to-face personal communications much cheaper and more realistic than today's clumsy video-conferencing systems, said Prof Cochrane of BT. "We're not just talking about a videophone but something that allows lifelike eye contact."

Now that the telecommunications transmission problem has essentially been solved, he said, the greatest technical obstacle is to develop computer systems capable of switching and managing the gigantic amounts of information expected to flow through the fibre optic networks of the next century.

Ocean energy could be harnessed

By Clive Cookson

THE OCEANS hold the key to supplying the world with energy during the next century, the British Association annual meeting in Southampton heard yesterday.

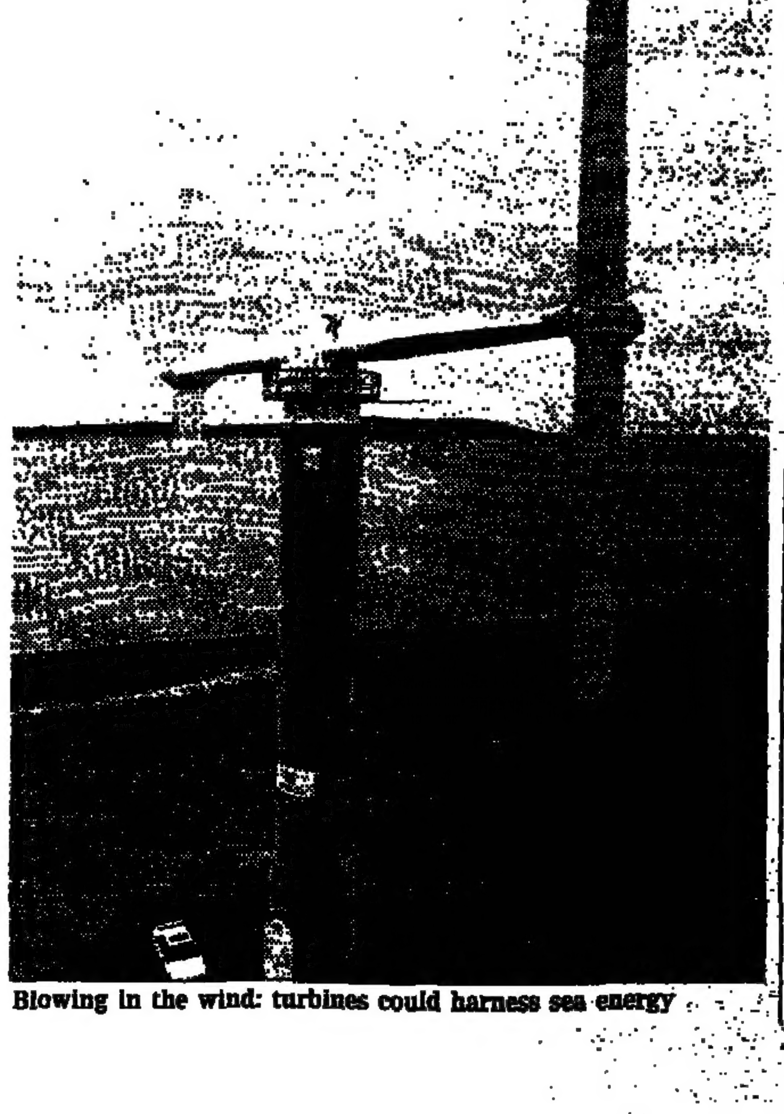
Ian Fells, professor of energy conversion at the University of Newcastle upon Tyne, pointed out that the energy potential of the oceans "has hardly been tapped and represents an invaluable resource".

He suggested the energy of the winds blowing across the oceans can be tapped directly through coastal wind turbines – or indirectly through the waves they whip up.

Tidal power could make a large contribution. The proposed Severn Barrage, with a cost estimated at £9bn, could produce 6 per cent of the UK's electricity.

But as Prof Fells pointed out, it "would not be economic at the high rates of return demanded by the City" without a special environmental subsidy.

Huge biomass farms could be established at coastal sites to grow algae for energy. Experimental algae farms already exist in the US state of California, the conference was also told.



Blowing in the wind: turbines could harness sea energy

British Gas announces 2% price cuts in UK

By Neil Buckley

BRITISH GAS yesterday cut its prices to 18m domestic and small business consumers by 2 per cent from October – the second reduction in three months – in spite of recording a £82m current cost loss for the second quarter.

Announcing its first results since calling in the Monopolies and Mergers Commission to carry out a comprehensive review of the UK gas market, British Gas warned 500 more jobs would be lost as part of its existing cost-cutting programme by the end of 1992. This would bring the year's total to 1,500.

The price cut follows a 3 per cent reduction in July. Mr Cedric Brown, chief executive, said British Gas had indicated in March a cut of up to 5 per cent might be possible; but had delayed until it knew the result of the general election and could assess its impact on inflation and the economy.

Subsequent inflation forecasts had allowed it to make the full 5 per cent cut in two stages.

Ofgas, the industry regulator, said the move vindicated its call earlier this year for substantial cuts, and the continuing pressure it had put on the company. British Gas agreed a formula with Ofgas last year limiting price rises to 5 percentage points below the rate of inflation.

British Gas said the combined cuts would mean a saving of nearly £27 a year for a three-bedroom semi-detached house with gas heating.

It blamed exceptionally warm weather, recession and increasing competition for a pre-tax loss of £82m on a current cost basis in the three months to June 30. In the same period last year, it reported a £183m profit.

Mr Brown warned that despite the pressure on margins, further cost-cutting in addition to that already planned would be difficult until the results of the MMC inquiry were known.

He promised a policy of "frankness and honesty" and conceded that perceptions of British Gas as bureaucratic and resistant to change "may be based on some reality".

Lex, Page 10
Results, Page 11

Sea Containers offers gold coin for Queen Mary

By Tim Burt

SEA CONTAINERS, the Bermuda-based shipping group, has offered to pay one gold sovereign for the Queen Mary, the loss-making liner moored as a tourist attraction in Long Beach, California.

The group, headed by Mr James Sherwood, wants to return the ship to Southampton where she would be relaunched as a hotel, conference centre and casino.

Sea Containers says the one sovereign offer (representing the former standard British coin worth £1) is realistic because the former flagship of the Cunard shipping line is a floating liability. The company says the ship is almost worthless "because her scrap value is less than the cost of taking her to a scrapyard".

The offer is one of 18 firm proposals being considered by the City of Long Beach, which paid Cunard $3.45m for the Queen Mary in 1967 after the ship, launched on the Clyde in 1934, was taken out of service.

One Japanese consortium is offering $23m for the Queen Mary. The ship would be towed to Tokyo Bay to be used as a hotel, shopping mall, office and entertainment complex.

Mr Steven Dillenbeck, executive director of Long Beach Harbour Commission, said potential buyers had unveiled schemes to take the ship to Japan, Hong Kong, New Zealand, Canada, the Bahamas and two US cities.

Sea Containers has asked Long Beach to allow it to match any rival bid for the Queen Mary.

Under its proposals, the Queen Mary would be towed to a shipyard in the Far East where she would be refitted before being returned to Southampton.

The project is backed by Associated British Ports which has agreed to provide a berth at a nominal rent in Southampton Docks. Total costs of the project are estimated at $30m.

A company, RMS Queen Mary Project, has been formed to oversee the scheme and Sea Containers hopes to recoup most of its investment through heritage grants and public appeals in the UK.

Long Beach decided to sell the vessel after Walt Disney Entertainment, the latest operator, decided not to renew its lease earlier this year.

National Commission on Education

Middle class provides most new students

By Andrew Adonis

THE large increase in student numbers over the past three decades has been almost entirely drawn from the middle class, according to research published by the National Commission on Education.

A research paper issued by the commission, an independent think tank, shows that the proportion of students from working-class backgrounds going to higher education has scarcely shifted since 1963.

"This is cold comfort for those who seek the classless society", said Professor A.H. Halsey, of Nuffield College, Oxford, the paper's author.

The paper says that fears in the 1960s that the expansion of higher education – from 216,000 students in 1963 to more than 1m in 1990 – would mean a dilution of standards were unfounded.

The average A-level achievement of entrants to higher education – universities and colleges – rose markedly between 1976 and 1984 and have fallen only slightly since then.

The expansion, however, has affected the lecturer:student ratio, which has declined from 1:8 in 1970 to 1:11.6 last year.

Prof Halsey concludes that Britain is on the road to an American-style system, where higher education embraces all post-secondary schooling.

But, he adds, "plans for funding the new expansion remain vague".

Higher Education for All? National Commission on Education, 19 Manor Gardens, London N7 6JY. Free.

Edinburgh International Festival

Two C.P. Taylor plays

Alastair Macaulay

WHAT kind of playwright was C.P. Taylor? One who required excellent and sympathetic direction and performances, it would appear from this Edinburgh Festival. Without those, little of his work is standing the test of time.

This second week of the festival has produced two more of Taylor's plays. Though both are more absorbing than either *The Ballachulish Beat* or *Walter* last week, they are heightening the impression that, in terms of craftsmanship, exposition and characterisation, Taylor was a likeable, humane, satirical but inadequate dramatist.

Operation Elvis, in morning or afternoon performances at the Corn Exchange, is an example of Taylor's work for children. Because it is also *about* children, it becomes watchable for adults too. 10-year-old Malcolm, the child of a selfish and silly mother whose mind is solely on the men in her life, insists that he is Elvis Presley; sings his songs, wears his jacket.

When, however, Malcolm meets and strikes up a friendship with Michelle, who has cerebral palsy, he becomes so absorbed in helping her that he forgets all about his Elvis obsession.

The play itself is thin, schematic and sentimental, and its final line — "I'm *Malcolm*! I'm *Malcolm*!" — is crude. Yet for much of its duration you are held, thanks to first-rate performances by Andy Milarvie and Annalu Waller (Michelle), both making their professional debuts.

Milarvie gives Malcolm energy, ingenuous charm and openness; Waller's squawks, flops and heaves all convey perfectly the eloquence that only Malcolm perceives.

The Black and White Minstrels (premiered in 1972 at the Traverse) is much funnier than this under-cast King's Head Theatre production demonstrates, yet has its flaws too. Half its comedy depends on the way its characters do not converse so much as conduct separate monologues that only occasionally interleave.

One woman talks of which man she wants to go to bed with that night, one man talks of his problems with prose creativity and another man yells about the other man's political incorrectness.

This is not so amusing when it happens in every scene, and it is less amusing when you have just seen it in several other C.P. Taylor plays. Still, the idea of *The Black and White Minstrels* is a hoot. Cyril, a leftwing, politically correct writer, and his wife Gil are involved in a wife-swapping quartet each weekend with Harry and Pat. Cyril, however, is distracted by the pressures of this set-up, by financial problems, and by his guilty suspicion that his hostile Nigerian lodger is exerting voodoo spells to bung up his creative flow.

Pat and Harry are not only rabidly leftwing, randy, and selfish but also inanely blind to these traits in themselves. The situation is worthy of Malcolm Bradbury or David Lodge.

The play wins laughs but not guffaws. The role of Gil is ungratefully written. Several farce moments are mistimed. The four lead characters are so cast that you do not realise Cyril and Pat are meant to be the two best-looking until the lines say so. Only Jason Isaacs, as Cyril, has the skill and pacing to create a character at once convincing and yet absurd.

The Black and White Minstrels continues at the Church Hill Theatre until August 29; *Operation Elvis* at the Corn Exchange until August 27

Opera double bill

Richard Fairman

A double-bill with a combined cast of two: when the new festival director at Edinburgh has come from the world of opera, it is ironic that his first festival should be so parsimonious in the provision of operatic fare. The festival is into its second week and this performance at the King's Theatre is the nearest that the visitor seeking culture will yet have come to a staged opera.

Doubtless there comes a point where the hungry man is grateful for any morsel that is thrown his way. It may not matter that this pair of one-person operas – one by Cimarosa, the other by Poulenc – barely requires any sort of staging at all. The novelty of putting them together is probably enough to carry the evening in itself. But, even combined, they are hardly able to satisfy an appetite for real opera.

The first was Cimarosa's *Il maestro di cappella*, an underspiced little hors d'oeuvre. The orchestra is on stage and is being rehearsed by the singer/conductor. Violins are asked to play their part first, then violas, then oboes and so on. Some amusement is caused when the players get their parts wrong, but the jokes wear thin the second time round and it is only the professionalism of Claudio Desderi, who has made a speciality of this piece as singer and conductor, that carries it off.

There is rather more to Poulenc's *La Voix humaine*, although that, too, has always seemed to me an unsatisfying work. A desire to get the music to mirror the neurotic chat of "Elle", a woman near suicide on the phone to the lover who has jilted her, results in a score of disconnected comments and asides, which fail to build into a single, cumulative statement.

The opera stands or falls with its solo artist. In Edinburgh, Elisabeth Söderström showed that, in physical terms at least, she can still give a devastating performance of Elle.

As we know from her Janáček heroines, there is nobody to equal Söderström in the portrayal of the modern woman. The forced smile, the nervous lighting of a cigarette, the sleeping pills, the affectionate cradling of the phone: all caught poor Elle, a rag-bag of 20th-century neuroses, to perfection. The timing and dramatic awareness remain inspirational.

With Elle's couch wisely placed in front of the orchestra (and not behind, as at the Queen Elizabeth Hall – some years ago) Söderström was able to make herself heard easily enough, although the voice is audibly difficult to control these days.

Richard Armstrong directed the Scottish Chamber Orchestra with more drama than sensuality, the stage acoustics at the King's Theatre also being on the dry side for this lush piece.

It was rumoured that the second performance on Monday was to be Söderström's farewell to the stage. If true, she has departed with her customary sense of style.

King's Theatre, Edinburgh, sponsored by the Edinburgh International Festival Endowment Fund.

Alex Wilson

Elisabeth Söderström in Poulenc's La Voix humaine

Television/**Antony Thorncroft**

The devaluation of all values

RELIGION may be set for a resurrection in our schools but it is still anathema to the television companies. The BBC has whittled down its coverage to little more than the Thora Hird Hymnal, while ITV trusts to the Harry Secombe Songbook to ease viewers into Eternity. But if the Sabbath is a no-go area for God, the schedules are keen to ensure that there is a flow of thoughtful, uplifting, sobering programmes on offer on Sunday evenings to prepare the population for the week ahead.

Last Sunday was no exception. On Channel Four there was *The Real Thing*, which pretends "to look at religious belief in a post-Modern world". (Post-modern is one of those lovely buzz phrases which means little but suggests that the user is way ahead of the game). Anyway this programme seems well designed to satisfy Dissenters. On BBC, Everyman gave us the harrowing story of Jason, four and dying, which concentrated the mind on the transience of life to the satisfaction of the Orthodox, while ITV came up with a repeat of *The Monarchy* which, as a hierarchical institution with mystical powers, successfully replaced organised religion in the lives of the people until it fell into schism.

The Real Thing was infuriating. It was obviously prepared by robots with attitude. Narrators Geoffrey Palmer and Zoë Wanamaker endowed the script with all the reverence of Holy Writ: every line was a computer-speak aphorism. In apology for the words, the screen was busy with arbitrary images.

The basic message was that science had done away with absolute truths, so a South American Indian fertility ritual, based around the beheading of a fretwork crocodile, was just as relevant as our rational attitude to life. It's all horses for courses. Just to ram home the point that we westerners can get up to some pretty suspect myth-making of our own there was film of a Hitler rally. But hold on – if all rituals are judgment-free that means that as long as the *Sieg Heil*-ing Nazis believed in their play-acting that should be OK, too.

The programme worked in that it found me constantly saying "Hold on", but the supercilious condescension of the experts, including Professor Bernard Williams of Oxford University, was ultimately too much to bear. Our Western values may be dubious, but the rest of the world seems anxious enough to embrace them, giving up face tattoos for Sony Walkmans. The Noble Savage is as out-dated as Modernism.

The irrelevance of the *The Real Thing* was pinpointed an hour earlier in *The Living Planet*. David Attenborough showed remarkable film of Inuit (Eskimos) tracking and killing a polar bear and eating its raw flesh. They then built a snow igloo that was cosy enough for a young child to happily frolic in naked. It was a way of life unchanged for two millenia. Then came the Attenborough pay-off: "That film was shot 20 years ago". Their traditional way of life is now history. *The Real Thing* is in danger of trying to make bricks with non-existent straw.

There was no obvious religious feeling in *The Real Thing*, but it throbbed gently throughout *Everyman*. The attitude of the parents and the hospice staff, as they tried to make Jason's brief life worthwhile, was exemplary. Suddenly there was a homily, pronounced with no religious undercurrent but strangely transcendental in its meaning.

A nurse who had cared for many terminally ill children said that there came a time when, instead of congratulating the child for his grit in getting through the day, parents should start to thank him for being such a treasure and let him know that he could go now. She said the children accepted, even welcomed, the change. Jason had the liveliest of younger sisters: he seemed to be waiting for her to walk before he died. Tamsin Day-Lewis's film suggested that the briefest, most tragic, life could give a meaning to existence.

Mark Redhead's six part survey of *The Monarchy* could hardly be more happily co-incidental. It is a bit worthy, with a succession of predictable talking heads – Lord St John of Fawsley for the defence; John Griggs on the muted attack – but the prosaic pace made its under-stated facts seem that much more extraordinary.

The media have been excavating the monarchy for 20 years now, but have apparently only scraped the surface of the institution – for example, the fact that minor royals, like Princess Michael of Kent, curtsy good night to premier league players like Princess Margaret even when there is no one around to observe them. And the Prince of Wales is equally deferential when greeting the Queen – after their secretaries have fixed up a meeting.

The programme forcefully pointed out that all the Queen's chief advisers come from a closely knit group of aristocratic families, and that a re-incarnated Queen Victoria would find few changes inside the royal parlour. All the apparent movement of recent years has been window dressing. You began to understand the strain put on outsiders who marry into the Firm.

* * *

So farewell *Out*, Channel 4's Gay and Lesbian programme which has brightened up so many Wednesday evenings. It went out with a double helping last week – a gritty piece on the travails of German transvestites, then some mildly erotic movies on Thursday, which would presumably have caused consternation had the participants been heterosexual.

Out is a victim of a short-sighted economy drive. *Out* had a style and panache all its own, unsurprising from a sector of society which cares greatly for appearances and attitudes. It was self-righteous when it confronted gay politics; achingly funny when it turned the camera on subjects that heterosexuals would find embarrassing, such as body hair; and arcanely topical when investigating matters of style, such as the problems of gays who like to dress like skinheads, traditionally enthusiastic queer bashers.

Out was out about everything, not excluding the conflict which often exists between Gays and Lesbians. A conceived common foe has forced them into uneasy partnership, like the ill-suited Burgess and MacLean. Gays obviously enjoyed speaking out on this matter: how their friendly clubs become menacing arenas when the dungareed and tattooed Feminist thought-police among Lesbians join the party. The Gays' only means of defence apparently is to set up an insistent whisper of "fish, fish". Odd.

Having been bereft of my own favourite soap since *Compact*, I had high hopes of *Eldorado*. It began well – low ratings and dire reviews are usually the birth pangs of a monster hit – but I am rapidly becoming disillusioned. Why are all the men such absolute bastards - complete wimps like Bunny, or music hall villains like Marcus? The only nice one is gay Freddie.

Why does the multi-million, specially built, villa complex in Spain look like the back lot at Shepperton? The atmosphere is more Latvia than Latin. Where is the sun; where are the natives? Where do they all come from and what are they all doing there? Why do they all talk like *Blind Date* panellists? The only decent thing in it is Fizz (played by Kathy Pitkin), who not only acts all the other younger members of the cast off the screen but who also looks like someone you might see on the *playa* at Torremolinos. When she goes, I go.

It's over for Out: Julie Graham (left) dances with Sadie Lee in Rosebud, part of last Thursday's final programme

European Community Youth Orchestra

Andrew Clements

THE European Community Youth Orchestra has been in existence for 14 years, drawing its members from music colleges and conservatoires across the community and coming together twice yearly for rehearsals and tours. Out of its ranks have grown the Chamber Orchestra of Europe and the Gustav Mahler Jugendorchester, as well as a host of smaller groups.

From the beginning, the ECYO's standards have been astonishingly high, and its roster of conductors matches that of any orchestra in the world – from Abbado (who was the first artistic director) and Karajan to Bernstein, Solti and Haitink.

The current tour is shared between Carlo Maria Giulini and Mstislav Rostropovich. Giulini conducted performances of Beethoven's Ninth Symphony in Switzerland and the Low Countries, while Rostropovich's concerts take him from Luxembourg to Britain to Greece and back to France and Italy.

His two programmes consist of works by the composers with whom he has been most closely associated as cellist and conductor, Britten, Prokofiev and Shostakovich. The Britten is the *War Requiem*, which the ECYO brought to Birmingham's Symphony Hall on Monday. The soloists were Makvala Kasrashvili, Ian Caley and David Wilson-Johnson, with the London Symphony Chorus, the St Michael's Singers and the boy choristers of Coventry Cathedral.

It was a bold, thrilling performance, full of grandeur and drama, starkly characterised by Rostropovich. He concentrated his efforts entirely on the chorus and main orchestra, recruiting Christopher Bell to direct the chamber ensemble and male soloists.

There were a few problems of continuity; in the second half of the requiem, always difficult to sustain after the fury of the Dies Irae has passed, the performance had to ride some awkward gear changes. Invariably, Rostropovich was able to raise the emotional temperature in the noisiest passages but nevertheless the impression this time was of an artful patchwork, almost formulaic in its use of the Wilfred Owen poems to undercut the blandishments of the Latin mass. The very best versions of the *War Requiem* manage to disguise that weakness entirely.

Ms Kasrashvili's wide vibrato and fearsome attack were well matched to soprano lines conceived by Britten for the Slavonic timbre of Galina Vishnevskaya, Rostropovich's wife. Caley's thin, reedy tenor was more pleasing in duet than in the solo settings, but Wilson-Johnson was magnificent, concentrating attention on every word, judging the nuances of the text perfectly, wringing out their irony and anguish.

Both male soloists were placed well to the right of the Symphony Hall platform, and revealed an unexpected directional bias in the acoustics: when Wilson-Johnson in particular sang straight ahead his voice appeared blurred; only when he turned slightly towards the centre did it snap into sharp focus. Against that blemish however, must be set the wonderful handling of the choral sound, absolutely distinct from triple piano to the loudest forte, and the wealth of luminous detail in the orchestral textures.

* * *

Shostakovich's Eleventh Symphony was the main work in the ECYO's Prom on Saturday, a serious, intense account which was a fine illustration of the way in which Rostropovich's approach as a conductor has settled and matured.

It is not damning with faint praise to describe the Eleventh as the best of Shostakovich's neglected symphonies; it was written to celebrate the events of 1905 in St Petersburg when the Tsar's troops fired on unarmed demonstrators, and no doubt its socialist realism has told against it in some quarters. Leaving aside the programme, though, it stands as a coherent symphonic structure in its own right – four hefty movements built around fragments of political songs, with a grave funeral march at its core, and a finale of urgent drama.

The ECYO conveyed it magnificently – the orchestra's brass section was outstanding here and in the Britten – and provided the accompaniment for a startling performance of Prokofiev's Third Piano Concerto. The soloist was Martha Argerich on her most electrifying form, defying the conductor and orchestra to outdo her in vividness and attack. That they failed to meet the challenge was no disgrace at all; this was playing of a quality that few living pianists could approach in this work.

London, Royal Albert Hall; Birmingham, Symphony Hall. The ECYO tour is sponsored by the Commission of the European Community and Digital Equipment Corporation

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

CONCERTS

Concertgebouw 20.15 Graeme Jenkins conducts the Netherlands Chamber Orchestra in works by Schubert, Beethoven, Haydn and Milhaud. Tomorrow and Fri: Yo Yo Ma masterclass. Sun: Netherlands Wind Ensemble. Mon: Franz Welser-Möst conducts the Hague Philharmonic (6718 345)

OPERA/BALLET

● The new season at the Muziektheater begins on Mon with Stephen Pimlott's Bregenz Festival production of Samson et Dalila, with William Cochran and Catherine Keen in the title roles (ten performances till Sep 26). The season also includes Offenbach's Les brigands (Oct), Cosi fan tutte conducted by Harnoncourt (Nov), productions of La bohème (Dec), Birtwistle's Punch and Judy (Jan) and Monteverdi's Ulisse (March) directed by Pierre Audi, and a Simon Rattle-Peter Sellars production of Pelléas et Mélisande next June (6255 455).

● Dutch National Ballet returns on Sep 10 with a mixed bill of works by Maguy Marin, Hans van Manen and Krzysztof Pastor. The season also includes visits from Trisha Brown Dance Company (Nov), Krisztina de Châtel (Jan), Stephen Petronio Company (April) and Finnish National Ballet (May).

■ ATHENS

ATHENS FESTIVAL

Mythos Company presents Euripides' Orestes tonight and tomorrow at 21.00 in the Odeon of Herodes Atticus. Sun: opening of week's residency by St Petersburg Ballet, featuring the Lavrovsky version of Prokofiev's Romeo and Juliet, Minkus' Don Quixote and a mixed bill (322 1459)

EPIDAURUS FESTIVAL

The final festival event in the 14,000-seat amphitheatre at Epidaurus is a concert on Sun, featuring the European Community Youth Orchestra conducted by Mstislav Rostropovich, with Martha Argerich soloist in Prokofiev's Third Piano Concerto, plus Shostakovich's Eleventh Symphony.

Tickets are available at the Athens Festival box office (322 1459), or at Epidaurus (0753-22006)

■ HELSINKI

HELSINKI FESTIVAL

Tonight's Wagner and Bruckner concert in Finlandia Hall is given by the Finnish Radio Symphony Orchestra conducted by Esa-Pekka Salonen. Tomorrow, starting at 18.00, there is an evening of dance, singing, theatre, film and other events in Esplanade Park, in the streets and squares, at the Savoy Theatre and the Rikhardinkatu Library. Fri at Sibelius Academy: piano recital by Geoffrey Made. Sat: song recital by Kathleen Battle. Mon at Savoy Theatre: an evening of traditional Egyptian music and dance.

Next Wed: concert performance of Die Frau ohne Schatten conducted by Leif Segerstam. The festival ends on Sep 6 (644466)

■ NEW YORK

THEATRE

● Juno: Marc Blitzstein and Joseph Stein's musical version of the Sean O'Casey play Juno and the Paycock, about a long-suffering matriarch whose family struggles against poverty in 1920s Dublin. Limited season till Sep 5 (Vineyard Theatre's Musical Theatre Lab, 108 East 15th St, 353 3874).

● Sight Unseen: Donald Margulies' fascinating play about an American artist, the art scene's newest visionary, and his search for the Muse who inspired him. Till Sep 6 (Orpheum, 126 Second Ave, 477 2477).

● The World of Kurt Weill: Juliette Koka stars in this retrospective of Weill's life, featuring works by Weill and his collaborators. Till Sep 6 (Theatre Arielle, 432 West 42nd St, 564 8038).

● Under Milk Wood: Jean Cocteau Repertory's version of Dylan Thomas' play for voices is a lyrical account of a spring day in a Welsh seaside town, in which eight actors play 71 roles. Thurs to Sat evenings, plus Sun afternoons (Bouwerie Lane Theatre, 330 Bowery, 677 0060).

● The Most Happy Fella: a revival of Frank Loesser's 1956 musical comedy, with Spiro Malas as Tony (Booth Theatre, 222 West 45th St, 239 6200).

● Ticketmaster answers inquiries and sells tickets for Broadway shows (307 4100) and rock/pop concerts (307 7171)

MUSIC

New York State Theater 20.00 City Opera production of Rigoletto. Fri: Il barbiere di Siviglia. Sat and next Tues: Turandot. Sun matinee: La bohème. Sep 11: first night of new production of Busoni's Doktor Faust. City Opera season runs till Nov 15 (870 5570). Les Contes d'Hoffmann opens the Metropolitan Opera season on Sep 21, with a cast including Placido Domingo and Samuel Ramey (362 6000)

■ PRAGUE

Summer concerts in Prague's historic buildings and gardens: the Ensemble of Prague Trumpeters gives tonight's concert in Wallenstein Garden. Tomorrow afternoon's song recital by Miloslav Podskalsky in the Church of Maria Virgin of Snow includes works by Mendelssohn, Dvořák, Bach and Jánacek. The Talich Quartet plays works by Schubert, Jánacek and Dvořák tomorrow evening in the South Garden of Prague Castle. Sat in Monastery of St Agnes: Prague String Quartet plays works by Schubert and Mozart. Advance booking at the Smetana Hall (u Prasne brany 2, 232 5858).

● For pre-booking and information about other events, contact city centre ticket agencies (Bohemia, Na Prikope 16, 228738, or Melantrich, Wenceslas Square 38 in the passage, 228714)

■ STUTTGART

LUDWIGSBURG FESTIVAL

Wolfgang Gönnenwein conducts the first night of Axel Manthey's new production of Die Zauberflöte in the Schlosstheater tonight at 19.00. The cast includes Cornelius Hauptmann and Deon van der Walt. Further performances on Fri, Sun, next Tues and Thurs. Horacio Gutierrez gives a piano recital on Sat in the Ordenssaal. Sep 11: Stuttgart Ballet gives first of eight performances of John Cranko's production of Prokofiev's Romeo and Juliet (7141-949610)

■ VIENNA

OPERA

Neue Oper Austria presents Mozart's La finta giardiniera at Schönbrunn tonight, tomorrow and Sun at 19.30. Fri and Sat: Ascanio in Alba (812 3561). The new season at the State Opera opens next Tues with Carmen, with a cast including Domingo and Baltsa (51444 2960)

CONCERTS

Konzerthaus 20.00 James Judd conducts the Bergen Philharmonic Orchestra in works by Elgar and Sibelius, with Bruno Leonardo Gelber soloist in Grieg's Piano Concerto. An alternative programme can be heard tomorrow, with violin soloist Vadim Repin (Wiener Musiksommer 4000 8410). Tomorrow and Sat at Minoritenkirche: Polish Chamber Orchestra. Mon at Schwarzenberg: piano recital by Malcolm Bilson (8252 0811)

● Telephone sales of tickets for the Staatsoper, Volksoper and Burgtheater are available worldwide for holders of credit cards by ringing Vienna 5131 513

■ ZURICH

Tonight at 19.30 in the Tonhalle, Claus Peter Flor conducts the Tonhalle Orchestra in Beethoven's Fifth Symphony and Shostakovich's First Violin Concerto, with soloist Michael Erxleben (206 3434). Sun morning: Nello Santi conducts the Opera House Orchestra in Rossini's Stabat Mater. Sun evening: opening of 1992-3 opera season with a revival of Robert Carsen's production of Lucia di Lammermoor starring Edita Gruberova (262 0909)

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Super Channel
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2130-2200 (Wed) FT Business Weekly – global business report with James Bellini
0830-0900 (Thurs) Media Europe
2130-2200 (Thurs) FT Eastern Europe Report
0830-0900 (Fri) FT Business Weekly

Sky News
0130-0200 (Mon), 2130-2200 (Thurs), 0530-0600 (Fri) FT Business Weekly

SATURDAY

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0900-0930 World Business This Week - a joint FT/CNN production
1900-1930 World Business This Week

Super Channel
1930-2000 FT Eastern Europe Report

SUNDAY

CNN
1030-1100, 1800-1830 World Business This Week

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FINANCIAL TIMES

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Wednesday August 26 1992

A squandered opportunity

TWO AND a half years ago, Fernando Collor de Mello became the first democratically elected president of Brazil to take office for 30 years. He came to power in part on the strength of a promise to clean up the corruption endemic in his country's political system. He offered the prospect of breaking the mould of Brazilian politics. Today, that prospect lies in ruins: Mr Collor, charged with corruption, may face a humiliating impeachment by Congress unless he resigns.

To shake up the Brazilian system, Mr Collor had to confront powerful entrenched interests – Brazil's political warlords and cossetted big business – and to do so he needed to be beyond reproach himself. Lamentably, he could not meet this test. A congressional inquiry has this week made a strong case that the president was aware of corrupt practices among close advisers, and benefited financially from them.

Whatever he does to try to preserve his hold on power, Mr Collor will never be able to rebuild the trust he has lost. If he stays in power – his mandate runs until March 1995 – it will inevitably be as a lame duck. At best, policy-making would stagnate at a time when Brazil needs to embrace aggressive fiscal and political reform. At worst, the efforts to unseat the president would continue to dominate political life, bringing democracy into further disrepute. The threat of a military coup must still be considered slight, but if street protests against the president were to threaten anarchy, that unpleasant possibility could not be ruled out. Military government provided no answers for Brazil after the army's previous takeovers in 1955 and 1964, and it offers even less of a solution today.

Reform programme

The Collor presidency has not been an unmitigated disaster. He has begun the economic and fiscal reform which Brazil needs to resume growth, including a significant abolition of import and other government controls and a lowering of tariffs. The reform programme undoubtedly could and should have gone further, but it has already engendered a genuine sense of change among enterprises in Brazil.

However, reform no longer depends on President Collor. The current economic team, led by economy minister Marcilio Marques Moreira, is committed to continuing change – particularly to sorting out Brazil's chaotic fiscal situation. Without that, financial support from the International Monetary Fund will remain in doubt; as will the debt restructuring deal now being negotiated with the international banks. There is no reason why Mr Moreira's team should not be able to operate under a replacement president – even under the current vice-president, Mr Itamar Franco, whose rhetoric in the past has been hostile to economic reform.

Divert attention

The practical difficulties of building a reform-minded political coalition in Brazil should not be underestimated. However, there is – even in the Brazilian legislature – a growing sense that the system has to change. At the very least, the prospects for reform without Mr Collor would be no less bad than they are with him.

By insisting on hanging on to office, Mr Collor would also divert attention from what would otherwise be the central political issue in the coming months: reform of the 1988 constitution that has rendered the country virtually ungovernable. A referendum is to be held in which voters will have a choice of changing the political system – for example, to a parliamentary government. What is more, Congress will be able to vote next year on a range of changes to the constitution – which for example guarantees the jobs of federal government workers – by simple majority rather than by the two-thirds normally required. A consensus needs to be built to effect suitable change.

In the meantime, the importance of preserving constitutional order in Brazil is paramount. An impeachment may become a drawn-out process. But if Mr Collor refuses to resign, then it must be allowed to take its course, without interference from any quarter. The president has squandered, through weakness or avarice, a great opportunity to serve his people. He would best serve their interests now by resigning and allowing a constitutional hand-over of power.

Cost challenge for Germany

THE WORLD of German industry is starting to look ruffled. Pessimists have been forecasting for years that high labour costs, extensive subsidies and market rigidities would eventually undermine many of the country's advantages as an industrial powerhouse. During western Germany's reunification-induced growth spurt between 1989 and 1991, it seemed as though the pessimists had been proved wrong. Now, however, the western part of the country is in a period of economic stagnation, while the recovery in the east seems temporarily to have come to a halt.

Some fundamental difficulties affecting Germany's industrial structure have worsened during the past two years. Chancellor Helmut Kohl says he will fight the 1994 general election with the campaign slogan *Standort Deutschland* – safegarding Germany's standing as an industrial base. He has read the diagnosis, but has yet to find a cure.

The Bundesbank's tight monetary policy has hitherto had its chief impact among Germany's neighbours, but the spores of recession are now blowing back across Germany's borders. A series of announcements of job cuts by some of Germany's largest corporations – Volkswagen, Mercedes-Benz, Hoesch, BMW and, last week, Siemens-Nixdorf – has indicated how retrenchment may be on the way. Rising domestic costs, together with the need for a physical presence closer to foreign markets, have already led to a sharp increase in corporate investment abroad. Last year, German companies invested a net DM29bn outside Germany; foreign companies' capital investment in Germany was only DM1.9bn. If the US currency remains at DM1.40, the incentive will grow for companies to transfer manufacturing offshore.

Limited influence

Much of the problem lies in production costs. During 1979-88, Germany achieved the third-smallest increase in unit labour costs of any member of the Organisation for Economic Co-operation and Development. Last year, it slid down to ninth in the table. In 1992, according to the OECD's projections, it will fall to 16th place.

Wage rises in industry during the last two years – above all, in east Germany – have been too high for the nation's health. On this, the government has only limited influence. Mr Kohl's administration should, however, do all it can to encourage those realistic sections of the German trade union movement which are pondering the option of longer working hours and pay cuts in companies facing particular economic difficulties.

Financial hand-outs

One area where Mr Kohl does carry direct responsibility is in the proliferation of subsidies, above all for east Germany. The Bundesbank calculates that overall public sector financial hand-outs rose 70 per cent between 1989 and 1992. Many of these subsidies are supporting consumption rather than investment. They contribute to the malfunctioning of the market economy in both east and west. Additionally, the government has not done enough to cut the excessive share of non-wage costs – in particular, companies' social security contributions – in the overall burdens on employers. These make up 45 per cent of industry's overall labour costs. In one important example, the government must press on with its latest efforts to reduce health spending by DM11bn a year.

Overshadowing all else have been policy errors over German unity. The government has failed to put the financing of unification on to a sound footing. Rather than using the opportunity of unity to prise open the more protected parts of the German economy, the federal republic has exported its solid but rigid economic system to the east. Financial transfers from west to east of around DM100bn a year will probably be necessary until the end of the decade to fulfil Mr Kohl's promise of a "flourishing landscape" in the east. Organising this resource shift without hampering its productive capacity is certainly within Germany's grasp. It would, however, be ironic if, in order to escape the country's self-generated cost pressures, industry's main reaction to Germany's territorial enlargement was to move increasing slices of manufacturing to cheaper and more productive sites abroad.

As the London conference on Yugoslavia gets under way today, **Judy Dempsey** assesses the slim prospects for peace

Too little, and perhaps too late

As officials in London were putting the finishing touches to preparations for the Yugoslavia peace conference, the people of Sarajevo yesterday launched another desperate attempt to break through the four-month siege of their city.

Today – as Mr Boutros Boutros Ghali, United Nations secretary-general, and Mr John Major, British prime minister, acting as president of the European Community, open the conference – inhabitants from several other towns and cities in Bosnia-Hercegovina, most notably the eastern town of Gorazde and the northern city of Bihac, will be trapped inside Serb-imposed blockades. As diplomats and politicians talk, fighting continues.

The question is whether the conference has the political will or means to bring peace to the Balkan peninsula where there are no winners, only losers. None of the republics has emerged unscathed. The tiny alpine republic of Slovenia, invaded by the federal Yugoslav army in June 1991, can no longer cope with the refugees fleeing from war-torn Bosnia. Nor can its small economy thrive in the short term without finding new markets in western Europe. More than 60 per cent of its trade was with its former Yugoslav partners; telecommunications, road and railways have been destroyed outside its borders.

Independent Croatia is in worse shape. Not only is it home to more than 450,000 refugees, mostly from Bosnia, but a third of the republic's territory is controlled by Serbs. Although the Serb-held areas formally have the status of a UN protectorate, the likelihood of Zagreb regaining full jurisdiction over Croatia remains slim.

Serbia, despite its territorial gains in Bosnia, can hardly claim any victory in its war of expansionism. Mr Radovan Karadzic, head of the Serbs in Bosnia, and President Slobodan Milosevic of Serbia rule over devastated lands, their economies in ruin either through mismanagement or sanctions.

In Serbia itself, more than 500,000 refugees have placed the republic's infrastructure under an insupportable burden. Above all, the Serbs are virtually isolated on the diplomatic front and humiliated. This humiliation has almost suffocated the few democratic voices in the republic. But while they have no power at the moment, some diplomatic support will have to be extended if they are to shape the future of Serbian political life.

Though everyone is a loser, the Bosnian Moslems have lost most. Unlike Bosnia's Serbs or Croats, the Slav, Sunni Moslems have no ally in the former Yugoslavia to protect them. Croatia and Serbia have capitalised on this weakness by conspiring to divide Bosnia between them. Today, Croatia *de facto* controls a swathe of territory in western Hercegovina, while Serbia controls nearly 70 per cent of Bosnia, stretching from the east to the north and across to Krajina, western Croatia.

For their part, the Moslems, who comprise more than 43 per cent of the 4.3m population of Bosnia, have been sandwiched in a little area around Sarajevo. Their attempt to take control of this land forms part of their efforts to break through the Serb-imposed siege of Sarajevo.

The few liberal voices – academics, economists and journalists – in Croatia, Serbia, Bosnia and in the other republics of the former Yugoslavia repeatedly argue that the plight of the Moslem population must take precedence over other issues at the London conference.

They argue that without upholding Bosnia's present borders and

restoring a government which represents the three ethnic communities proportionally, the international community risks fanning the flames of war into other parts of Yugoslavia. This is because Macedonia, in the south, and the south-western Serb-controlled province of Kosovo share to some degree the same dilemma as the Bosnian Moslems. Independent Macedonia, still unrecognised by the EC, has no protector within the former Yugoslavia, nor have the ethnic Albanians of Kosovo. Like the Moslems in Bosnia, who have appealed to the Islamic countries for financial and military assistance, both might look outside to defend themselves.

Fear of the conflict spreading provides impetus to the London conference's attempt to get all the ethnic groups of the Balkans around the negotiating table. But what practical steps towards ending the war can it take?

"The first thing western governments must do is to guarantee and recognise the inviolability of borders within the former Yugoslavia," said Mr Zarko Puhovski, a sociology professor at Zagreb University. "But there is no point in doing this if we are not prepared to address the whole question of ethnic and minority rights."

Western diplomats suggest that the twin principles of inviolability of borders and respect for ethnic rights would entail:

- Croatia and Serbia renouncing claims to Bosnia, and Serbia renouncing its claims to Croatia.
- the Croat, Serb and Moslem communities in Bosnia, and the Serb minority in Croatia, being granted ethnic and political autonomy, with institutions reflecting the size of their respective populations. This means that any future Bosnian government must be given back the territory seized by both Croatia and by Serbia – at the moment, a principle which can be nothing more than unrealistic. How this can be achieved, and how the tens of thousands of refugees can be allowed back to Bosnia, may call for some military force, as well as economic reconstruction aid from western governments for the refugees who have no homes to which they can return.
- Serbia restoring autonomy to the ethnic Albanians in Kosovo, which Mr Milosevic snatched away in 1990. If Serbia is demanding ethnic rights for its minority in Croatia and Bosnia, it must extend the same principle to the Albanians of Kosovo, to the Moslems of Sandjak in southern Serbia, and to the Croat and Hungarian minorities in the Serb-controlled province of Vojvodina.

In practice, implementing the twin principles will prove almost impossible as long as the fighting continues. Moreover, the EC, and the UN have so far shown that they are neither militarily nor politically prepared to protect current borders, or to address the principle of minority rights. This apparent unwillingness on the part of the west to act has deepened the hatred between the ethnic communities.

EC diplomats and military specialists in London for the conference argue that peace in the Balkans based on the two principles needs external political, economic and military pressure from western governments to succeed.

"Even if the conference talks about protecting borders, and protecting the minorities, and closing down the vile detention camps, you have to set up mechanisms, even military ones, for preventing the Serbs from continuing their policy of ethnic cleansing, and holding on to the land they have grabbed," said Mr James Gow, a Yugoslav specialist at the Centre for Defence Studies at King's College, London.

Dutch diplomats have no illusions about the tasks facing western governments. "We have to start from the premise that there are no democratic institutions in most of the former republics which could help guarantee any ethnic or minority rights," a Dutch diplomat explained. "The rule of law, western rationalism and ceasefire agreements carry no weight among the men in the Bosnian countryside who are terrorising innocent civilians."

He said the liberal voices of the press in Serbia, except Vreme (the Belgrade-based weekly) had been censored; that Croat liberals were regarded as traitors by the government when they demand rights for the ethnic Serbs in Croatia; Serbs were pilloried for defending rights for the ethnic Albanians; and the media reinforced ethnic hatred and suspicion throughout the republics.

It seems impossible that the conference can contain or solve such a degree of ethnic tension in the short term. Its critics have been vociferous in denouncing its limitations. Yet despite current scepticism – apparently reinforced yesterday by the resignation of Lord Carrington as EC special envoy to Yugoslavia – EC diplomats do have a blueprint for establishing ethnic rights for *all* the ethnic minorities throughout the former Yugoslavia, as well as guaranteeing the inviolability of the current borders.

The document, the Treaty for the Convention, was discussed in The Hague on November 5 last year during an earlier EC peace conference session, chaired by Lord Carrington. It envisages, where necessary, the establishing of international monitors to oversee the implementation of the twin principles. All the presidents of the six republics signed, with the exception of Mr Milosevic, the linchpin of any future agreement.

"I think we did have a basis for future negotiations. OK, we knew the president of Croatia [Franjo Tudjman] could not be trusted. We were getting used to the lying and the deceit, especially from the Serbian side. But I still believe that this document did use, and will be used, in the future as a plan upon which the status of the ethnic minorities can be based," a senior Dutch diplomat said.

"If we do not implement these principles, and more importantly, if we recognise that Bosnia is finished, we will set a precedent for redrawing all the borders agreed after 1945," he said. He cited a few examples – the borders between Romania and Moldova, Slovakia and Hungary, Hungary and Transylvania – to show how a Third Balkan War would consume other parts of Europe. But will such principles be enough to persuade the Serbs in Bosnia to stop the fighting?

"We have acted too little, too late," an EC ambassador said. "The EC went into Yugoslavia without any military force behind it. We could have defended Sarajevo airport. I still believe a show of force could have limited the killing. Now we are scrambling around."

He added that the international community had nothing to show for its peace-keeping efforts. "It is time the London conference demonstrated we are now prepared to defend our principles. Otherwise, we will become losers as well."

The feelgood factor

FT writers find UK economic gloom is not countrywide

Enough of this gloom about UK industry. In a week of shaky sterling and plunging markets, what we want is a bit of good news. Surely somebody, out there somewhere, is doing well against the odds?

As it happens, quite a few people are. An Oxfordshire maker of up-market lawn mowers more than doubled its sales in the year to end June. A Nuneaton company which renovates old Land Rovers expects turnover to rise by a third this year. A Midlands company which sells plastic buckets door to door recently announced profits up by 75 per cent.

Granted, some of the lessons to be drawn from many recession-proof stories are not entirely cheerful. It would appear that it pays not to employ people. It also pays not to make anything yourself.

The principle is splendidly illustrated by Betterware, the seller of plastic buckets. As the company's chief executive, Mr Andrew Cohen, remarks, Betterware is a retailer without any shops. It is also a manufacturer without any factories. Once it has designed its products, it has them made by subcontractors. The sales force which then knocks on the nation's doors is, of course, entirely self-employed and works on commission.

A more exotic instance is Thermocrete, a West Yorkshire company which specialises in lining old or dilapidated chimneys to prevent seepages of carbon monoxide. Its operators, who for some whimsical reason are kitted out in top hats and tails, are employed by franchisees. Mr Allan Barnes, Thermocrete's chairman, says business has never been better, partly because the standstill in the housing market means people are spending more on their present homes. Turnover in the year just ended grew by a quarter.

A more advanced example of the principle is Powerscreen International, a Northern Irish producer of machines for crushing gravel. Powerscreen employs no production workers. Instead, its factories in Northern Ireland and South Wales contract out production to self-employed team leaders who recruit teams of 20 apiece. The machines themselves are sold through distributors.

Perhaps the most cunning case of profiting by non-employment is Capita, the London-based management consultancy. Among the chief exponents of hiving off labour in the UK are central and local government. Capita's specialisation is advising government on contracting out services to the private sector. Since 1989, the company's pre-tax profits have gone from £1.5m to £3.5m and turnover has tripled.

It is something of a relief to come across success stories which are more straightforward. Countax, the Oxfordshire-based lawn mower manufacturer, has had a splendidly wet summer. And recession or no, as Countax's managing director, Mr Harry Handkammer, remarks, people have to mow the grass.

They are scarcely compelled to do so with one of Mr Handkammer's machines, which sell for between £1,600 and £2,000. But Countax's success dates from only two years ago, when recession was already on the horizon. The company provided accessories for a maker of garden tractors. The customer's sales dived and Countax nearly went under. It then turned to designing and making its own machines, which it now turns out at the rate of 8,000 a year. Sales in the year just ended rose from £2.7m to £6.7m and this year are expected to reach £8m.

The reason given by Mr Handkammer is slightly at odds with the prevailing climate. "We have succeeded because we make the best product dealers can sell. Customers get better value for their money, it's that simple. Companies making bad products will do badly."

This certainly seems borne out by the Scottish shirtmaker Hilditch & Key, whose shirts sell in New York


Tony Andrews

Recession? What recession? Sales are up at Hilditch & Key

at $195 each plus sales tax. Saks 5th Avenue, the US department store, reports sales up 60 per cent in a year. The secret, according to the Hilditch & Key's chairman, Mr Michael Booth, is quality and hard work in selling; though, he adds, discounting is so widespread in the US that to get a product with a decent margin is worth a lot to the retailer.

Then again, some companies selling cheap products do very nicely. The Land-Rover Centre at Nuneaton in the UK refurbishes old Land Rovers, and sells them for between £1,000 and £6,000 apiece. Sales last year were £150,000. This year they are expected to reach £200,000.

The owner and founder, Mr Phil Read, says he has never known it so busy. He has lately been selling an average of 3.5 reconditioned Land Rovers a week. A year ago it was one a week.

Mr Read provides a whole string of reasons for his success. "We deal with a section of the population which is just a little bit better off," he says. "People may have lowered their sights, but they're also sick and tired of small second cars sitting in the drive." Alternatively, he says, "there's a club cult thing – you drive along the road in a Land Rover and people are always waving to you". Or, more basically, "It's my personality and charisma".

Some success stories may even be pointing the way out of recession. Woolcombers Group, the Yorkshire wool processor which is planning to float on the stock market next month, is working 24 hours a day, seven days a week.

The encouraging general point is that the textiles industry can be a leading indicator of recovery. It takes about 18 months to get wool from the sheep's back on to the customer's. Wool cleaning is the first stage in that process, so more throughput today means clothing manufacturers hope business will pick up towards the end of 1993.

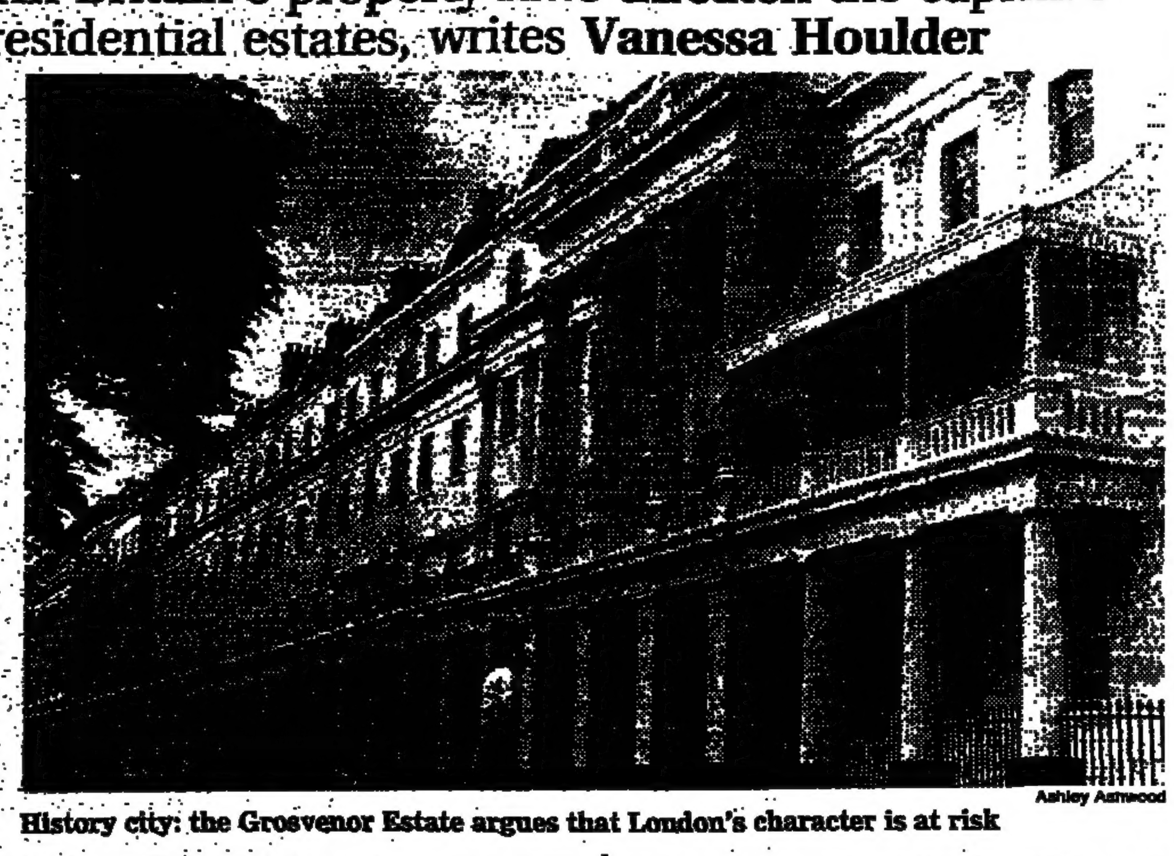
Companies have been wrong about that sort of thing before. In that case, one final success story might prove more durable. Symonds' Cider & English Wine, a subsidiary of Bulmers, makes a cider with the intimidating title of Scrumpy Jack. Two years ago, Scrumpy Jack was sold through 400 pubs in the UK. It is now sold through 10,000. In that time, Symonds' output has quintupled. Pre-tax profits went up 50 per cent last year.

Several reasons are suggested for this: in particular, the fact that UK brewers have been obliged by the competition authorities to throw their pubs open to competing brews. It may be tempting to think that there is a simpler reason: that in these hard times, the population has taken to viewing the world through a rustic haze of traditional English alcohol.

Reporting by Tony Jackson, Michael Cassell, Paul Cheeseright, Angus Foster and Daniel Green.

It's no game on London's monopoly board

Plans to reform Britain's property laws threaten the capital's largest residential estates, writes Vanessa Houlder



Ashley Ashwood

History city: the Grosvenor Estate argues that London's character is at risk

Behind the facades of London's most prestigious addresses, an acrimonious dispute has erupted.

On one side are the ground landlords, often from aristocratic families, who have retained large tracts of their ancestral estates in spite of war, laws and taxes. Some parts of central London resemble a monopoly board, with the best streets and squares owned by individual players.

On the other side are their leaseholders. They have often lived in their houses for decades and regard them as their own. But frequently their tenure is troubled by fraught negotiations with their landlords over repairs and renewal of leases.

The resentment harboured by leaseholders has prompted a public airing of grievances. The Leasehold Enfranchisement Association, a lobby group, says many tenants have been reduced "to an unacceptable point of distress and potential homelessness".

It has just completed a critical review of the great estates – the land owned by private landlords – such as the Grosvenor Estate, Cadogan Estate, Ilchester Estate and the Smith's Charity Estate in South Kensington.

It concluded that the great estates' "commercial sophistication and bloated mercantile size [was] based on local housing monopolies and virtually nil public accountability".

"Leaseholders," it said, "have been the victims of a long-running feat of legerdemain kept in motion by the repressive techniques of managing agents."

The rise of tension between landlord and leaseholder is the result of legislation – scheduled to be enacted next summer – that will force most landowners to sell their freeholds to leaseholders.

The change in the law would close a long chapter in the history of London's property market. The "building lease", which was created more than 300 years ago, has played a crucial role in shaping the capital. By keeping the freehold of their land and letting plots to builders for a specified term, landlords could keep tight control over the quality of buildings. From Bloomsbury to Belgravia, the grandiose estates of central London are the legacy of the building lease.

Pressure for leasehold reform first arose in the second half of the 19th century, when many of the long leases granted in the property expansion of the 18th century fell due. But it was not until 1967 that leasehold enfranchisement became a reality. A bill granted leaseholders the right to buy the freeholds of their houses.

However, the Leasehold Reform Act excluded property with high rateable values, and thus many of the houses belonging to the great estates. The omission was a product of intense lobbying by large, private landowners.

One of the more curious arguments used against comprehensive leasehold enfranchisement was the Cadogan Estate's threat to halt a redevelopment programme of 65 acres of Chelsea. "The effect would be to drive us, and others like us, out of the country into speculative development overseas," said Earl Cadogan in 1967. Despite winning the desired concession, the plan to rebuild Chelsea was dropped.

A stronger argument used against leasehold enfranchisement was that it interfered with the right of a private citizen to own and enjoy his private property.

The Duke of Westminster, owner of the Grosvenor Estate, felt so strongly that he took his case to the European Court of Human Rights. But the Court found against him. "The compulsory transfer of property from one individual to another might constitute a legitimate means for promoting the public interest," it concluded. "The enhancement of social justice within the community could properly be described as being in the public interest."

Now the tide is moving even further against landowners. The rights of leaseholders are, once again, to be extended at the expense of landlords, because of the predicament of flat dwellers who were excluded from the 1967 act. The government has decided to enfranchise flat owners, because building societies are unwilling to grant mortgages on the increasingly short leases that date back to the flat conversions in the 1960s. Since the white paper, expected this autumn, will not include any restrictions on the value of flats eligible for enfranchisement, the government has also decided to remove the value restrictions on houses from the 1967 Leasehold Reform Act.

The freeholder provided the land, but the leaseholder usually built the house and bore the cost of improvements

Once again, the large landowners have tried to defend their right to their estates. Mr Jeremy Newsum, chief executive of Grosvenor Estate, says the government's proposals "amount to a massive infringement of two long-standing democratic principles: the right for a private citizen to own and enjoy his private property as he wishes, and to uphold contracts freely entered into".

This view is shared by many Tory backbenchers. In a debate in the Commons earlier this year, Mr William Benyon, then MP for Milton Keynes, said that the closest parallel to such an arbitrary transfer of property from one sector of the population to another was the dissolution of the monasteries in the 16th century.

The large estates also believe that the maintenance and character of historic London is at stake. The Grosvenor Estate argues that, without its involvement, the appearance of Mayfair and Belgravia would be threatened.

This argument wins little sympathy from the advocates of reform, who say that owner-occupiers take better care of property. The Leasehold Enfranchisement Association maintains that, by the time the Grosvenor Estate sold its Pimlico property, it was already dilapidated and the subject of brothel prosecutions.

Perhaps the strongest element of the leaseholders' case is that, while the freeholder provided the land, it was usually the leaseholder who built the house on the land and bore the costs of improvements and maintenance.

The ground landlord did not even take any risk in the building of their estates. Speculative developers made the investments and frequently suffered losses as a result. The Adam Brothers, the 18th century developers, nearly went bankrupt when they failed to let houses they built at the Adelphi. The Duke of St Albans, who had given them a 99-year lease, lost nothing.

This was the overriding justification for leasehold enfranchisement in 1967. The white paper for that act criticised the unfairness of a system in which the landlord kept full ownership of a house built on his land at the end of its lease.

A quarter of a century later, debate on the issue has lost none of its fervour. But the current moves for reform may well represent the final act. After hundreds of years of stewardship, London's biggest landowners are likely to be faced with the break-up of their estates.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
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Lottery will be national gambol

From Mr Richard Ogier.

Sir, No serious gambler worth his ace of clubs would play to win a game in which the odds are a distant million to one. But that is not the view of Dr Emanuel Moran of the National Council on Gambling, writing on the UK national lottery (Personal View, August 14).

Apparently, the national lottery, a flutter for good causes, with just these long odds, will encourage in people the "dangers of excess which characterise all forms of gambling".

Dr Moran's assertion is one often made by opponents of the national lottery and it is highly questionable for the things it fails to explain.

Obviously no one wants a socially damaging national lottery. But precisely what would its harmful social effects be?

A national lottery for good causes is entertainment, not gambling. To paint it into some ill-defined picture of society's modern social malaise is extremely emotive.

National lotteries have been a commonplace on the Continent for decades and, almost invariably, the proceeds are used to fund community projects ranging from opera houses to club houses and environmental initiatives.

This is the purpose of a UK national lottery, as it appears in the government's Lottery White Paper.

Richard Ogier,
The Lottery Promotion Company,
41 Floral Street,
London WC2E 9DG

ANC plans company competition authority

From Mr Mandla Langa.

Sir, Much of what Sir Alan Walters and Mr George Guise, say about South Africa's economic problems (Personal View, August 19) is unworthy of serious discussion. They are, for instance, under the strange impression that the domination of an economy by a small number of large, privately owned corporations is the same thing as socialism.

But they have correctly diagnosed one of South Africa's problems: domination of the economy by "the interlocked interests of the five conglomerates which account for more than three-quarters of the market capitalisation of the Johannesburg Stock Exchange". They point out that this leads to inefficiency and a lack of effective competition. The African National Congress agrees with them that, in order to ensure the unleashing of the full productive potential of South African industry, it may well be necessary for conglomerates to be broken up or subject to a regulatory framework which makes them accountable for the power they wield in the economy.

Sir Alan and Mr Guise believe that, to achieve such a break-up, it is necessary only to abolish some unspecified regulatory obstacles to takeover bids, whereupon foreign predators, such as Lord Hanson, will undertake the restructuring of the economy. This simplistic notion ignores the fact that takeover bids have produced the present conglomerates.

The ANC will establish an effective competition authority with power to order, where necessary, the break-up of monopolies and to vet takeover bids, blocking those which would operate against the public interest.

Mandla Langa,
deputy chief representative,
ANC Mission: UK and Ireland,
28 Penton Street,
London N1 9PR

A self-help solution on housing

From Mr Gary Smith.

Sir, Professor Gavin McCrone (Personal View, August 17) brought some realism to the housing market debate.

If the ERM is to have any real impact on curbing inflationary pressures within the British economy, the old housing market solutions – increased mortgage tax relief and short-term interest rate reductions – will have to be assigned to history.

Prof McCrone clearly understands this. But do Conservative backbenchers, now that the housing market is undergoing structural change similar to that faced by manufacturing industry in the early 1980s?

If the government really wants to help those who own homes and who are affected by the asset value to debt ratio of their property or unstable employment prospects, it needs to formulate innovative solutions.

Encouraging a partnership solution through self-help is one possible measure. The government could allow 100 per cent tax relief on rental income from property normally owner occupied coupled to the retention of tax relief at the standard rate, provided the accommodation is registered with the local authority as meeting certain quality standards.

These measures would facilitate financial adjustment at the micro level without causing macro-level housing inflation. By making them retroactive, the government might avoid financial pressures resulting from speculation in the housing market as ERM-led adjustment took place.

The advantage to the government is that revenue foregone never existed; the individual house owner is given an opportunity for self help; a private rented sector might grow from the recessionary ashes; and, through housing registration, tenants might be assured quality accommodation.

Gary Smith
25a Miller Road,
Ayr,
Scotland, KA7 2AX

Need for urgent action on salmon and sea trout stocks

From Mr James Ferguson.

Sir, The National Rivers Authority's response to the government's invitation to submit proposals for the phasing out of the north-east drift net fishery has dismayed members of the Salmon & Trout Association.

We have long argued that the existence of an interceptory drift net fishery for salmon and sea trout, using monofilament nets, is a national scandal. Over the past 20 years, catches of Atlantic salmon have plummeted by 80 per cent. We would be the first to agree that part of this decline may result from actions and circumstances beyond our shores. But we must now do all in our power to safeguard remaining stock.

The NRA envisages that this fishery will run down by natural wastage under existing legislation over the next 30 years, with a 50 per cent reduction achieved within 10 years.

We believe that a shorter period should be considered and that any necessary legislation to this end should be speedily enacted. We understand that the NRA board would also favour an earlier cessation of the fishery – if the government were also of the same opinion.

Mr John Gummer, minister of agriculture, fisheries and food, is no doubt heavily involved in revision of the Common Fisheries Policy during the UK's presidency of the European Community. He should also take appropriate action as far as the UK's coastal fisheries for salmon and sea trout are concerned.

James Ferguson,
director,
Salmon & Trout Association,
Fishmongers' Hall,
London Bridge,
London EC4R 9EL

Lament

From Mr P B Swain.

Sir, I noticed under the "new lows" listed yesterday morning a company called "Lamont".

Does this signify anything?

P B Swain,
9 Woodland Grove,
Heaton,
Bradford,
West Yorkshire BD9 6PQ

OBSERVER

Stand up and be counted

■ John Edmonds, leader of Britain's centre right GMB general union and the most intellectually forceful of Britain's union leaders, is usually more popular with Labour Party leaders than his fellow trade union bosses.

But senior Labour figures are now grumbling that he has been letting down the side in that hot-house of left-wing politics - Liverpool. In a case which bears superficial resemblance to Alan Bleasdale's *GBH* - a black comedy about left-wing politics in Liverpool - Mrs Frances Kidd, a moderate Liverpool Labour councillor, has just won an unfair dismissal claim after losing her job as a book-keeper with the GMB's Liverpool branch.

Peter Horan, the GMB's regional secretary, says that she was sacked for giving a policeman access to confidential union files. Mrs Kidd was a prosecution witness in a case against a GMB member alleged to have assaulted the mayor of Liverpool. The GMB member was acquitted.

Mrs Kidd and various senior Labour figures see things differently. They believe that she was the victim of political persecution from the far-left after voting in favour of contracting-out garbage collection in the city.

Mrs Kidd, and other moderate Labour members, voted that way after a recommendation to comply with the government's contracting-out legislation from David Blunkett, Labour's then local government spokesman.

It is alleged that Mrs Kidd was then refused leave to attend council meetings and generally bullied by her employers. In October 1991 she was sacked and in November a union appeal, chaired by Mr Edmonds, unanimously upheld the decision. "The trouble is", said one Labour figure "that John has simply not dealt with the Liverpool left in his union in the way that most other unions have."

Inside job

■ Some hacks go to extreme lengths to obtain the confidential information dispensed at creditors' meetings. At a recent Olympia & York meeting, for example, one Canadian journalist tried to pass himself off as a waiter.

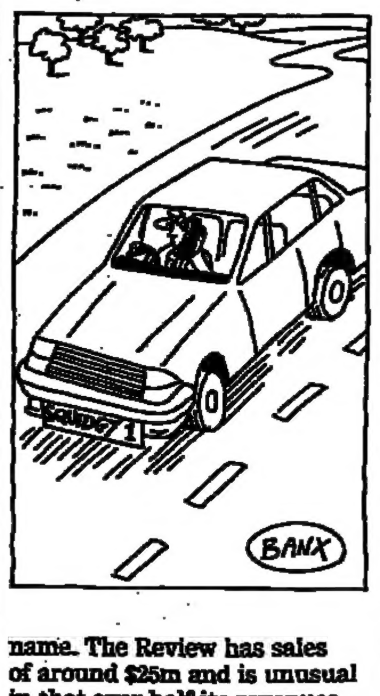
However, Reuters yesterday had the distinction of having a completely legitimate reason for sitting through one of nine sessions of Canary Wharf's creditors. The news agency is owed money by Canary Wharf - which only goes to show that every cloud has a silver lining.

HBR's new team

■ The rumblings at the top of the Harvard Business Review, flagship of the world's best known management school, are getting ever louder.

The professionals are being brought in to transform a long-standing cottage industry into a major publishing venture. Laurance Allen, 47, an old FT hand who started our US publishing operation, is taking over as publisher of the 70-year-old bi-monthly (circulation 220,000) and T George Harris, 67, an ex-Time Life staffer and former editor of American Health and Psychology Today magazines, is the new editor.

Bringing in a couple of publishing professionals is the surest sign that Harvard is intent on maximising the returns from its academic



name. The Review has sales of around $25m and is unusual in that over half its revenues come from subscriptions and the rest is split between reprints and advertising.

The unease of some Harvard business professors is understandable. The Review has not lost its way like Vanity Fair had. Admittedly, its reputation for being first with the latest management thinking has been challenged by the California Management Review (and also, among top executives, by the McKinsey Quarterly).

But it is still a "must" read for many executives, not only at the top of organisations but also down the hierarchy.

The dilemma for successive editors of the Review has been how to increase its circulation - by making it less of a journal and more of a magazine - while retaining its definitive character and its academic respectability, at least at the Harvard Business School itself. The next editor is not a Harvard professor like the last two incumbents, Theodore Levitt and Rosabeth Moss Kanter. But the combination of his age, his record and his establishment connections – he is married to a Rockefeller – suggest that he is also not another Tina Brown.

Deceptive

■ Can you believe it? The new deputy chairman of Women into Business (WIB) does not believe in compulsory maternity leave and bans women wearing trousers to the office.

How careless of this branch of the Small Business Bureau, a Parliamentary lobby group, to let in what might sound like an unreconstructed MCP, you may say. Meet 46-year-old Tina Knight, managing director of Nighthawk Electronics. Knight is not your average feminist. She has been fighting to save the Elizabeth Garrett Anderson hospital for Women, but she normally riles at anything smacking of "wimmin's" issues.

Yes, networking can help business women "feel not quite so abnormal". But on the whole, she believes problems encountered by small company entrepreneurs have very little to do with gender. The SBB - as opposed to WIB - is, according to Knight, a very male preserve. "We should be all together" she says, and seems to be there to try and make that happen.

Fitting tribute

■ Speculation is rife that Lord David Owen may take over Lord Carrington's thankless task of overseeing the Yugoslav peace process. He certainly has the right qualifications. As a former Labour cabinet minister and one of the founders of the Social Democrat party he has some experience in overseeing disintegration, disarray and vicious faction fighting.

The trouble is, he never actually solved any of it.

FINANCIAL TIMES
Wednesday August 26 1992

Extra police rushed to Rostock amid fears of fresh violence

German leaders row over riots

By Christopher Parkes in Bonn and Leslie Colitt in Berlin

GERMAN federal and state leaders quarrelled yesterday over who was ultimately responsible for three successive nights of racist attacks in Rostock, as 1,300 police reinforcements were rushed to the east German Baltic port to counter threats of renewed violence.

Although most immigrants have been evacuated, officials feared clashes between rightwing and leftwing groups. A convoy carrying Green party members to a "peaceful" demonstration to show support for asylum-seekers left Berlin in the afternoon. Other leftwing groups were also reported en route.

Meanwhile, the federal constitutional protection agency in Cologne said it feared the weekend riots, in which almost 300 asylum-seekers were driven and burnt out of a Rostock hostel, would act as a signal for further violence elsewhere.

Although an instant poll of public reaction showed 86 per cent of Germans against attacks on foreigners, only 200 people turned out in Rostock last night for an early evening trades union "solidarity" rally in the town.

Another poll, to be published tomorrow, shows that Chancellor Helmut Kohl's Christian Democrat party has lost up to 50 per cent of its support in the east since federal elections in December 1990.

In Bonn, Mr Wolfgang Schäuble, a close colleague of Mr Kohl, said the people of Rostock had been over-burdened because too many asylum-seekers had been housed in the town's main collection centre.

He called on local authorities and police to avoid "shortcomings" which had done nothing to convince people of the state's ability to cope.

Mr Schäuble appeared to be referring to Monday night's resumption of the riots in which a mob broke into the apartment block and set several flats alight while police stood by. The police were unaware that between 60 and 100 Vietnamese were still inside. Around 200 other residents, mainly Romanians, had been evacuated during the day.

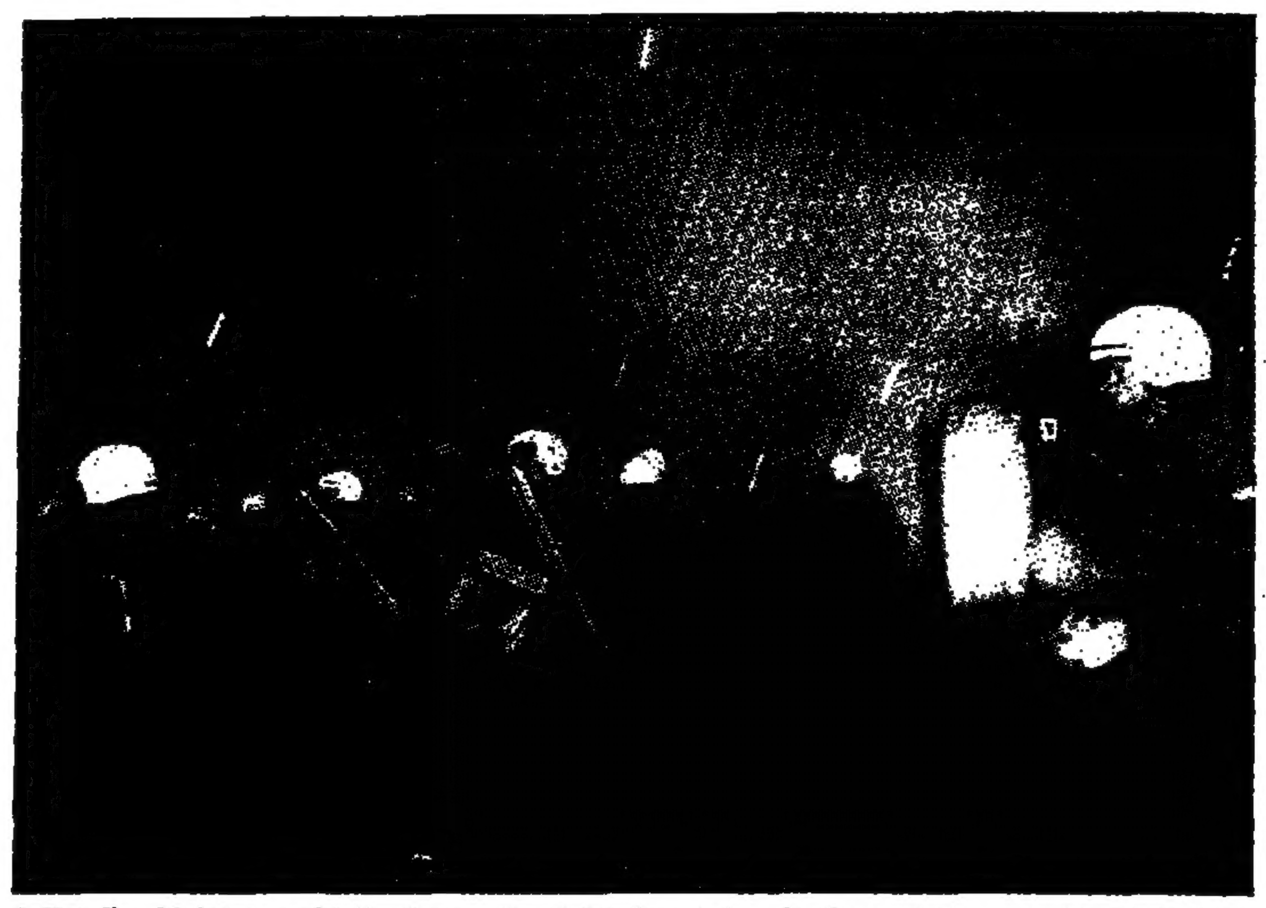
Speaking after a meeting of coalition leaders, Mr Schäuble condemned the violence, called for peaceful cohabitation, and added that east Germany would have to continue to take its quota of asylum-seekers.

He also welcomed the opposition Social Democrats' (SPD) apparent acceptance of the need for constitutional change.

An SPD summit meeting at the weekend reversed its long-standing policy, declared that the flow of asylum seekers had to be "braked and controlled" and agreed to constitutional changes "if necessary".

Mr Gerd Wartenberg, SPD interior policy spokesman, said Mr Rudolf Seiters, interior minister, was at fault for housing refugees in Rostock.

The minister countered that the SPD had blocked solutions to the asylum problem for years.



Police flee Molotov cocktails thrown by rightwing rioters in the east German city of Rostock

Gloomy report from Bank of Japan

By Steven Butler in Tokyo

THE BANK of Japan issued one of its gloomiest economic reports yesterday, citing a slowdown in consumer spending and the likelihood of a prolonged reduction in industrial activity.

The report draws no policy implications, but it appears consistent with recent rumours that the central bank is preparing another cut in interest rates, perhaps in conjunction with a package of government emergency economic measures to be announced on Friday. The central bank last reduced the official discount rate by half a point to 3.25 per cent in July.

Newspaper reports said yesterday that the ruling Liberal Democratic party had decided to approve more than Y8,000bn ($64bn) in extra fiscal spending, compared with a range of Y6,000bn to Y8,000bn originally under consideration.

The tone of the bank's report was borne out by the Japan Department Stores Association, which said sales in July dropped by 2.2 per cent, the fifth consecutive month of year-on-year declines. The falls included 2.4 per cent in men's clothing, 11.8 per cent in furniture and 12 per cent in consumer electronics.

The central bank also cited declining capital goods shipments, falling capacity utilisation, the accumulation of capital stock and the decline in corporate profits.

Perhaps most worrying, the bank said the declines in production had failed to clear inventories, because of the unexpected weakness in demand.

"Inventory adjustments have generally been in a lull, and ongoing severe production restraint will probably be prolonged in most industries," the bank said. Although the bank did not predict when inventories would reach normal levels, many economists believe this may not happen until next spring.

Meanwhile, Mr Tsuneo Wakai, chairman of the Federation of Bankers Association of Japan, said the banking industry was expected to finalise by the end of the year a plan to create a corporation that would buy property being held as collateral for non-performing loans from banks.

Rifts open at Mideast talks over land for peace plans

By Roger Matthews in Washington and Tony Walker in Cairo

THE substantial differences between Arab and Israeli negotiators emerged again yesterday, in contrast to the previous day's encouraging start to peace talks in Washington.

All sides had described a distinct improvement in atmosphere when the talks resumed on Monday.

The Jordanian and Syrian delegations had said they were particularly encouraged by Israel's willingness to discuss United Nations resolutions 242 and 338 "in all their aspects". The two resolutions assert the principle of Israel exchanging Arab land occupied in the 1967 war for a comprehensive peace plan.

Mr Yitzhak Rabin, Israel's prime minister, and Mr Shimon Peres, foreign minister, have affirmed Israel's commitment to the resolutions. But Mr Rabin stressed yesterday that Syria had not been given any document or specific proposals pledging a withdrawal from the Golan Heights.

His comment appeared to qualify an earlier interview yesterday in which Mr Peres said Israel was ready for territorial compromise over the Golan Heights. However, even this was rejected out of hand by Syria yesterday, before the two negotiating teams began their second round of talks.

Tishrin, the official Damascus daily newspaper, insisted no compromise was possible on resolution 242 and demanded full withdrawal by Israel. "Peace cannot be achieved through a deal or a partial settlement. There is no alternative to real peace which gives the Arabs back their occupied land," the newspaper said.

The Syrian team said on Monday that if Israel conceded the principle of a full withdrawal, all matters could be open to discussion.

During five previous rounds of negotiations Israel, under the hardline former government headed by Mr Yitzhak Shamir, would not even discuss territorial compromise.

Similar differences over the interpretation of 242 will emerge as the negotiations between Israel and the Palestinians move on to substantive issues in the next four weeks. Israel has already warned that a Palestinian self-governing authority in the occupied West Bank and Gaza can have only an administrative function.

The Palestinians want a full legislative body which would operate in conjunction with an executive and a judiciary.

The aim of both sides is to agree on the form of an elected Palestinian body to administer the areas from which the Israeli army will withdraw, pending final negotiations within three years on a lasting solution for the occupied areas.

D-Mark hits new highs as stocks fall

Continued from Page 1

fered with UK gilts losing about half a point.

The dollar held its ground in early US trading, but fell sharply after reports of lower than expected confidence among US consumers. The US currency fell to a low of DM1.3940, but recovered to DM1.4020 in New York last night.

In Washington, a senior US official said the dollar was not "in a crisis situation". He refused to rule out further large intervention by the world's central banks to prop up the dollar, following five such actions in the past month.

He said: "We have weap ons at our disposal, but the market is a very significant force."

The official sounded a note of optimism on the possibility of an easing in German monetary policy. "At some point, we're going to get there," he said, noting the slowing of the German economy and the recent reductions in German inflation.

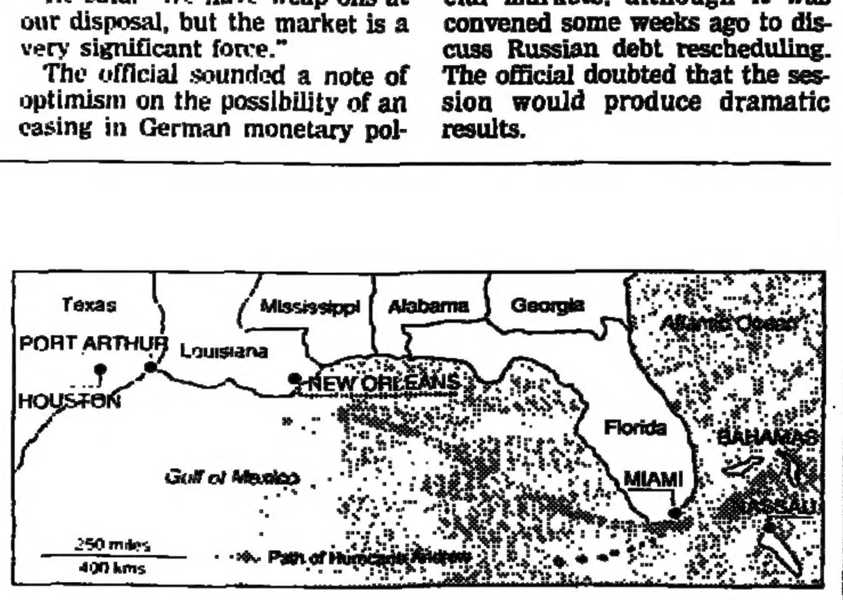
He said the Paris meeting would focus on the state of financial markets, although it was convened some weeks ago to discuss Russian debt rescheduling. The official doubted that the session would produce dramatic results.

Hurricane

Continued from Page 1

greatest havoc in a largely suburban swathe some 10-15 miles south of Miami. The town of Homestead, near the centre of the storm, was largely flattened, including a local air force base. Miami's city centre escaped with relatively light damage. More than 24 hours later some 825,000 households and businesses were still without power.

The brunt of insurance claims from the Florida storm will fall on the US industry, and companies with a heavy local exposure include the State Farm Group and the Allstate Insurance unit of Sears Roebuck. These are also the leading property/casualty and home insurance groups in Louisiana, together with American International Group.



A spokesman for State Farm Insurance said he believed the company had roughly 20 per cent of the Florida market. The company, which is mutually owned, has no reinsurance. Its size has made obtaining reinsurance cover difficult and its reserves, at about $24bn, have made it unnecessary.

World Weather

		°C	°F
Ajaccio	S	28	82
Algiers	S	35	95
Amsterdam	F	21	70
Athens	F	33	91
Bahrain	S	36	97
Bangkok	F	34	93
Barcelona	S	29	84
Beijing	S	28	82
Beirut	S	30	86
Belfast	C	14	57
Belgrade	F	30	86
Berlin	F	23	73
Biarritz	F	24	75
Bombay	F	29	84
Bordeaux	S	31	88

		°C	°F
Boulogne	Dr	19	66
Brussels	C	21	70
Budapest	S	30	86
Buenos Aires	F	22	71
Cairo	S	35	95
Cape Town	S	14	57
Caracas	C	29	84
Casablanca †	C	25	77
Chicago †	S	21	70
Cologne	C	25	77
Copenhagen	R	15	59
Corfu	S	33	91
Dallas †	S	23	73
Dublin	C	16	61
Dubrovnik		-	-
Edinburgh	F	16	61
Faro	S	24	75
Florence	S	34	93

		°C	°F
Frankfurt	S	27	81
Geneva	S	28	82
Gibraltar	S	27	81
Glasgow	R	15	59
Helsinki	T	15	59
Hong Kong	S	33	91
Innsbruck	S	27	81
Inverness	C	15	59
Islamabad	C	33	91
Istanbul	F	29	84
Jakarta	R	32	90
Johannesburg	S	16	61
Lisbon	S	26	79
London	F	20	68
Los Angeles †	F	19	66
Luxembourg	F	23	73
Madeira	S	25	77
Madrid	S	34	93

		°C	°F
Majorca	S	32	90
Malaga	S	31	88
Malta	S	32	90
Manila	R	30	86
Melbourne	S	11	52
Mexico City	C	20	68
Miami †	S	27	81
Milan	S	30	86
Montreal †	S	21	70
Moscow	C	16	61
Munich	F	28	82
Nairobi	C	23	73
Naples	S	35	95
Nassau	R	32	89
New Delhi	S	34	93
New York †	S	23	73
Nice	S	28	82
Nicosia	S	29	84

		°C	°F
Oporto	S	20	68
Oslo	F	17	63
Paris	S	25	77
Prague	F	28	82
Reykjavik	F	12	54
Rhodes	S	30	86
Rio de Janeiro	C	26	78
Rome	S	31	88
Salzburg	S	29	84
S Francisco †	S	13	55
Seoul	F	29	84
Singapore	F	32	90
Stockholm	F	17	63
Strasbourg	S	29	84
Sydney	F	13	55
Taipei	F	34	93
Tangier	F	27	81
Tel Aviv	S	31	88

		°C	°F
Tenerife	S	26	79
Tokyo	F	34	93
Toronto †	S	20	68
Tunis	S	31	88
Valencia	F	31	88
Venice	S	29	84
Vienna	S	31	88
Warsaw	F	23	73
Washington †	S	22	72
Zurich	S	28	82

Temperatures at midday yesterday
† Noon GMT temperatures
C – Cloudy Dr – Drizzle
F – Fair Fg – Fog H – Hail
R – Rain S – Sunny
Sl – Sleet Sn – Snow
T – Thunder

THE LEX COLUMN

Pounding the floor

An eerie silence surrounds the Treasury and the Bank of England as sterling edges closer to its ERM floor. For those who had expected wholesale intervention when the pound breached DM2.80, the quiet is disconcerting. Government tactics seem to be to hold fire until it can see the whites of the speculators' eyes. While this runs counter to received wisdom in the ERM – continental governments have tended to intervene early and raise interest rates in small steps – the strategy is not without merit.

One aim is to let the foreign exchanges do as much of the work as possible. Unless dealers believe devaluation is imminent, they take a large risk in selling sterling short in sight of the ERM floor. The potential profits are small, but the risk of being caught by massive intervention and an interest rate rise is high. Consistent with the strategy of heightening unease, any support the Bank has offered sterling this week has been done very quietly through discreet banks.

That said, this is a game of bluff. If the markets take the government on, the intervention and interest rate rises required could be large, and the wait until the French referendum on Maastricht is an eternity to the foreign exchanges. In any event sterling weakness is in large part the product of dollar weakness and mark strength. If that relationship takes another lurch, the Treasury's nice calculations could be blown apart.

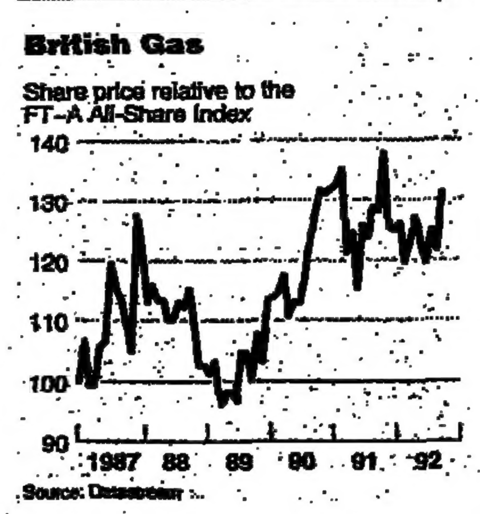
European equities

On its own, turmoil in the foreign exchange markets seems an unsatisfactory explanation for the weakness of European equity markets. After all, sterling's difficulties seem most acute, yet yesterday's fall in the UK market was again mirrored in Frankfurt, Amsterdam and elsewhere. Most European equity markets are, like the FT-SE, some 15-20 per cent below their May peaks.

The precarious position of sterling, and recent French opinion polls, underline that progress towards monetary union may be two-speed. Currencies in the slow lane will, presumably, be seen as more volatile and investors may demand a risk premium. The bond markets seem to be discounting this, yet the risk to equity markets is less obvious. Higher bond yields in slow-track economies could act as brake on recovery, but against this short-term interest rates might fall.

A better explanation for falling

FT-SE Index: 2281.0 (-30.1)



shares may be that doubts about monetary union have refocused attention on economic fundamentals. Interim results from Mannesmann to Peugeot have been disappointing and earnings forecasts have been scaled back – most aggressively in Germany. The weakness of the US currency has inflicted further damage in this regard, and if a cut in German interest rates was factored in to equity prices in May, it has now been factored back out. Sooner or later, though, European equity markets may find it impossible to believe both that Germany is leading Europe into down-swing, and that interest rates set by Germany will not be cut.

Grand Metropolitan

GrandMet shareholders will doubtless be hoping that problems really do come in threes. Dollar weakness and the wide publicity given to its accounting techniques have already taken their toll; yesterday's further downward lurch, which means the company has lost more than a quarter of its value since early June, was prompted by a warning that pre-tax profits for the 12 months to September are unlikely to do better than match last year's £950m.

The episode is a good illustration of the time-lag between general downgrades for economic growth and reduced expectations for individual company earnings. The major trading trouble-spot in this case looks to be GrandMet's Green Giant vegetable business in the US, whose canned and frozen brands are under margin pressure due to the cheaper food input costs obtained by own-label competitors. But weak demand is also having an impact on US food volumes generally, and has dashed hopes for a second half recovery in the Pearle eye care business. Beer volumes are down 10 per cent in south-east England.

There does seem to be a danger, though, of overdoing the gloom. The 8 per cent dividend forecast is presumably a sign of this year's strong cash flow, while dollar woes should have a benign effect on the balance sheet. Relative to the market at least the stock should again start to perform.

British Gas

Yesterday's interim results from British Gas show some of the strains which have forced it into the arms of the Monopolies and Mergers Commission. While warm weather may have been the proximate cause of much of the profits decline, the company clearly has an underlying difficulty in squaring costs with its pricing formula. Added to that, if the full-year dividend is raised in line with expectations, the company will be unable to meet its medium term objective of a twice-covered dividend unless demand picks up sharply.

However, it is the MMC reference which overshadows all. As far as the natural monopoly pipelines are concerned, rate of return will be the key issue. On the supply of gas to consumers and industry, the extent and shape of competition will be the focus. It may be that horse trading might gain British Gas a higher rate of return on pipes, whilst the marketing of gas is restructured. But until the possibilities on marketing become more concrete, it is impossible to say what value is buried in British Gas.

HSBC

Yesterday's interim figures from the Hongkong Bank underline that strong Pacific operations are likely to set it apart from the pack. Asset growth in the Far East is running at an annual rate of 13 per cent, and the return on assets remains respectable. There are still some lingering doubts about the extent of provisioning for Olympia & York, but loan losses across the group appear to be under control despite the influx of new business in Hong Kong. Even so, pro forma consolidation of Midland shows just how dilutive the acquisition will be: earnings per share fall from 21p to 14.4p on consolidation, and the tier I capital ratio drops from 9.4 per cent to 6.4 per cent.

FINANCIAL TIMES
COMPANIES & MARKETS
Wednesday August 26 1992

INSIDE

Rule change for UK banks' core capital

UK banks will only be able to include half-year profits in their core capital resources, known as tier one capital, if their interim profits are verified by an external auditor, the Bank of England said yesterday. In the past, the Bank allowed profits to be included in tier one capital if the bank published an interim statment, whether or not the profits were verified by an auditor. Banks were given the new instruction yesterday. Page 16

Electricity shares under review

Over the next two weeks, £1.4bn ($2.78bn) of shares in the 12 UK regional electricity companies will be under review as institutional investors consider how best to "unbundle" their selection of shares which trade on the London Stock Exchange as the Electricity Package. The move will signal a shake-up in the market for electricity shares as institutions decide which stocks they wish to own. Page 15

Rhône-Poulenc bucks the trend

Rhône-Poulenc, France's largest chemicals group, yesterday announced a 38 per cent increase in net income to FFr1.55bn ($316m) in the first half of 1992. This contrasts with the recent stream of lacklustre interim sales figures from other large French industrial concerns. Page 12

Hopes fade of Australian rally

Australia
All-ordinaries index)
1,700
1,600
1,500
Mar 1992 Aug

Hopes of a budget-led rally in Australian shares have been disappointed this week as the Australian Stock Exchange All Ordinaries Index once again slipped back towards 1,500. For investors, it was a disappointing response to the Labor government's ninth budget, delivered on August 18, which outlined plans to pump a A$4.6bn ($3.3bn) stimulus into the economy over the next two years. Back Page

Bridon ahead sevenfold

Bridon, the UK maker of rope and other engineered products, restored pre-tax profits sevenfold to £700,000 ($1.4m) in the first half of the year. Weakness persisted in all the group's main markets: construction – for which it makes pre-stressed concrete strand – mining, fishing and offshore oil and gas. About 45 per cent of its sales are exports. Page 16

Saab car arm cuts losses

Saab Automobile, the car company jointly owned by Saab Scania and General Motors of the US, announced a 20 per cent cut in losses in the second quarter to SKr507m ($98m) from SKr634m for the same period of 1991. The figures suggest that the company, which was formed two-and-a-half years ago, is slowly pulling itself into profit. Page 12

British Gas falls into £82m loss

British Gas yesterday blamed warm weather and growing competition in the gas market for a second-quarter fall to a pre-tax loss of £82m ($163m) on a current cost basis. The loss compared with a £183m profit a year ago. Page 12

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)			
Falls			
Asko	625	–	45
Dresdner Bk	308	–	11.2
GEHE	370	–	30
Linde	688	–	21
Lufthansa	91.5	–	5.3
Metallges'ft	285.5	–	20.2
NEW YORK ($)			
Rises			
Ford	40 1/8	+	1 3/8
Falls			
Aetna	38 5/8	–	3/8
Chrysler	19 1/2	–	1/8
Deere & Co	38 1/2	–	7/8
Gen Motors	33 3/4	–	1/4
Grand Met	30	–	2 1/2
PARIS (FFr)			
Rises			
Orsan	164	+	10.9
Unibail	375	+	11.7
Vallourec	138.8	+	5.8
Falls			
Bancaire Cie	277	–	14.6
Lafarge Coppee	281.6	–	16.4
Navig Mixte	785	–	64
TOKYO (Yen)			
Rises			
Green Cross	1280	+	200
Nippon Hang Ln	476	+	75
Tamura El Wk	646	+	100
Falls			
Nichimo	357	–	43
Sakura Bk	1170	–	130
Yahagi Iron	216	–	24
LONDON (Pence)			
Rises			
CMW	15 1/2	+	2
Gibbs Mew	198	+	15
Manweb	358	+	11
Mersey Docks	219	+	13
Falls			
Allied-Lyons	560	–	12
British Steel	49	–	2 1/2
Burton	30 1/2	–	1 1/2
Carlton Comms	541	–	20
Cook (DC)	18	–	5
Courtaulds Txt	366	–	13
English China	450	–	30
Grand Met	379	–	23
Graseby	133	–	34
NatWest Bank	302	–	13
Slough Estates	89	–	8
Sun Alliance	217 1/2	–	7 1/2
Wellcome	792	–	12

Weak consumer electronics market forces group to downgrade full-year forecast

Matsushita falls 62% in quarter

By Steven Butler in Tokyo

MATSUSHITA Electric Industrial, Japan's largest consumer electronics company, yesterday reported a 62 per cent fall in consolidated pre-tax profits to Y36.3bn ($290.4m) in the first quarter which ended in June. Sales fell 3 per cent to Y1,712.9bn reflecting the weak consumer electronics market.

Matsushita also lowered its parent company pre-tax profits forecast for the year from Y80bn to Y50bn. This was 53 per cent below the figure for last year. Matsushita is one of Japan's largest and most important industrial companies, and the lower profits forecast, announced after the close of trading, is likely to be received badly on the stock exchange. Other large companies could announce similar revisions in the coming weeks. Last week, better-than-expected quarterly results from Sony and Pioneer Electronic buoyed market sentiment.

"Matsushita is bigger and they seem to be a little slower in adjusting the cost structure," said Mr Mike Jeremy, analyst at Baring Securities.

Matsushita's results were dragged down in part by a poor performance at Victor Company of Japan (JVC), in which Matsushita holds a 52.4 per cent stake. JVC yesterday said it expected to lose Y21bn at the pre-tax level for the year as a whole, compared with an earlier forecast of Y1bn, and a loss last year of Y2.3bn.

JVC said it was planning to cut 700 jobs this year through attrition and reduced hiring.

Both companies have been hit by the slowdown in the saturated market for video equipment. Matsushita's sales of video equipment were off 11 per cent to Y350.4bn. Audio equipment sales fell 5 per cent to Y132.5bn.

Sales were also poor throughout Matsushita's product range. Sales of home appliances, mainly white goods, rose 3 per cent. However, sales in all other product areas – including components, communication and industrial equipment, batteries and kitchen products - were down between 1 per cent and 3 cent.

Unlike Sony, Matsushita was not boosted by its US entertainment business, MCI. Entertainment revenues were off 1 per cent to Y133.8bn, reflecting a lack of hit films.

Domestic sales declined 6 per cent to Y864.0bn. Overseas sales, hit by the higher value of the yen, were down 1 per cent to Y848.9bn.

Net after-tax income fell 76 per cent to Y9bn, and income per share fell from Y17.40 to Y4.32.

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HSBC surprises with 51% advance

By Simon Holberton in Hong Kong

HSBC Holdings, the owner of Hongkong and Shanghai Bank and Midland of the UK, yesterday surprised analysts when it unveiled a 51 per cent increase in profits to HK$5bn ($649m) from HK$3.3bn in the six months to June 30.

The results, which did not include Midland's interim profit of £89m or the bank's recent HK$3.39bn sale of 10 per cent of Cathay Pacific, were struck after a 63 per cent increase to HK$4.48bn in charges for bad and doubtful debts.

Olympia & York, the troubled Canadian property company was the main source of bad debts. At the interim stage, the bank has loans totalling US$768m outstanding to O&Y and made a specific provision of US$187.5m against them.

A dividend of 70.5 HK cents was declared, 31 per cent up on the 54 HK cents paid a year ago. It said that shareholders could expect to receive not less than HK$2 a share in dividends for the whole year. The bank said it intended to distribute a third of its dividend at the interim stage and two-thirds at year-end.

Mr William Purves, chairman, said at a press conference late yesterday that the merger with Midland was proceeding well. "The things we want to do should be completed by 1993", he said.

The main operating subsidiary, Hongkong Bank, made a net profit of HK$4bn. This figure includes the bank's share of Hang Seng Bank's profits, Wardley, its Asia-Pacific merchant banking arm, and Hongkong Bank of Australia. Although there is no precise comparison with last year, due to restructuring, the whole of HSBC made HK$3.3bn last time.

Profits in Canada were flat, due to higher provisions, but the British Bank of the Middle East enjoyed "strong profit growth", while Australia returned to profit, and Marine Midland Bank of the US made a half-year profit of HK$337m compared with a loss last time of HK$849m.

HSBC's costs as a percentage of operating income were 51.6 per cent, and would have been 60 per cent had Midland's results been incorporated.

Mr Purves said the maintenance of a cost-income ratio of 60 per cent was an aim of the merged bank.

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Debts of NKr4bn revealed by Uni

By Karen Fossli in Oslo

UNI STOREBRAND, Norway's biggest insurer, was yesterday ruled technically insolvent and put under the administration of finance authorities after revealing debts of NKr4bn ($718m).

The move highlights the depth of the crisis in the country's financial sector which late last year forced state intervention to shore-up several of its banks through a NKr6bn rescue.

Mr Anders Eckhoff, Uni's chairman, refused to identify the creditors but Statoil, the Norwegian state oil company, last June provided a $30m certificate loan to Uni, due for payment today.

Mr Jan Erik Langangen, who resigned from Uni last month as president and chief executive, yesterday announced his resignation as chairman of Statoil.

Uni's immediate problems arose out of a NKr4.7bn acquisition for 28.3 per cent of shares in Skandia Forsakring, Sweden's biggest insurer. Uni financed the acquisition through loans of NKr3.6bn. The bid failed and the value of the investment has fallen to less than half.

Mr Eckhoff said that Uni had a certificate loan of NKr200m due yesterday and that a loan of NKr1bn was due next week. The finance ministry said that in the next three days the holding company had payments on loans of NKr659m due.

"There was not sufficient willingness in influential circles to prevent this situation," Mr Eckhoff said.

The holding company has been put under official administration and a new holding company called Uni Storebrand New A.S. has been established. The company will acquire the assets of the old holding company in order to maintain the group's activities. Group assets were put at NKr91.83bn at the end of 1991.

The non-life, life and international insurance activities will remain intact under separate subsidiaries and continue operations.

The state will not transfer funds to the new holding company but there would be possibilities for it to acquire the liquidity it needs from the central bank.

A new "administration" board will comprise three people, including two lawyers.

An official with the Oslo bourse said that a decision would be made today on whether to relist Uni Storebrand's bonds and shares. However, he did not believe that the shares could be relisted.

When beans mean less profitability

Maggie Urry finds the UK food manufacturing sector is worried by squeezed margins in staple products

Since the first signs that times were getting tougher for companies reliant on UK consumer spending, the food manufacturing sector has appeared immune. Even in recessions people have to eat, the argument ran.

But now the defensive qualities of the sector are being questioned as, day after day, news of downgraded profit forecasts have been hitting shares of leading companies in the sector. Hillsdown, United Biscuits, Northern Foods, Ranks Hovis McDougall, and many others have seen their shares drop after brokers have become gloomier in their projections.

With many companies reporting interim results over the next few weeks, the market is in for a run of bad news. There are even fears of dividend cuts for some of the high-yielding shares in the sector.

Consumers have shown that they do not have to eat – at least not in the same quantities, at the same prices and at the same quality. Falling volumes and prices have cut manufacturers margins. As one food industry chief says: "The customer is looking for a cheaper product and if you don't make it someone else will."

Sales volumes of baked beans – one of the most basic products in the UK – have fallen by around per cent, according to industry estimates. The price of Heinz beans, the market leader, has been cut from 29p (50 US cents) to 25p a tin. The cost to Heinz is believed to be staggering. But when the leader cuts its price to that degree, the price of other brands and own-label tins have to be reduced as well. And, one industry chairman reveals, there are some cheap baked beans being imported from Italy selling for 19p a tin.

The baked bean story illustrates many facets of the industry's problems: falling volumes, falling prices, increasing competition, more imports.

The head of another food company says that consumers used to buy four or five tins of beans at once, putting them in the cupboard and using them when convenient. But now consumers are destocking. Food sales volumes have been weakening, and since June, have been decidedly poor.

The same chairman says that consumers are also trading down to cheaper products which may not taste as good, and stocks at home last longer. "It may sound ridiculous, but it's quite important."

With volumes sluggish, the supermarkets are putting even more pressure than usual on manufacturers to cut prices, adding to factors such as a glut of fresh produce, to bring food deflation. Manufacturers suffering volume falls cannot be baled out by rising prices.

There is also a problem of overcapacity in many parts of the industry. The good times of the 1980s, when food manufacturers were increasing their margins, steadily led to new entrants and more investment.

Mr David Lang, food manufacturing analyst at Henderson Crosthwaite, says "the problems in the industry are where there is a competitive imbalance". Where there is fragmentation among the suppliers up against the powerful retailers or where there is too big a price gap between own-label and branded goods, the result is "mayhem", Mr Lang says.

Overcapacity in the milling and baking sector has been a matter of concern for some years, but with no sign of anyone cutting capacity the difficulties look set to continue. Although there are two large players – RHM and Associated British Foods – independents have come into the industry and most superstores now have their own bakeries.

In sugar, by contrast, ABF, which now owns British Sugar, and Tate & Lyle have the market almost to themselves and there is a competitive balance between the manufacturers and the retailers.

Imports are also a worry. Mr John Major, the UK prime minister, addressed a meeting of food manufacturers last autumn exhorting them to reverse the worsening balance of payments trend in food.

"Now everyone is doing worse," says one manufacturer who was there.

Chickens are one example. Severe overcapacity in the UK is being tackled, mainly since Hillsdown bought Unigate's poultry business early this year. But now retailers are increasingly importing chickens from France.

Feathers – and accusations – are flying. Imported chickens may not have been raised under the stringent health regulations imposed in the UK after the salmonella scare. These health regulations have increased the price of British chickens, allowing imported chickens to undercut them. Some British producers are even relocating in France to counter the problem.

Added to the difficulties at home, many food groups are also suffering in their international activities. United Biscuits, for example, makes nearly half of its sales outside the UK. Its Keebler biscuit business in the US is suffering from similar market conditions as in the UK, while the dollar exchange rate is making the situation look even worse when translated to sterling. In addition, Grand Metropolitan's trading statement yesterday made reference to a softening of continental European markets.

It is hard to see an end to the gloom until the consumer is ready to spend more freely again. Industry heads are looking for the usual Christmas boost, but it will be November or even December before that shows in sales, too late to give chairmen reporting results in September an excuse to be optimistic.

Weaker dollar and tough US trade hurt GrandMet

By Philip Rawstorne in London

GRAND Metropolitan, the food, drinks and retailing group, warned yesterday that profits growth this year would be flattened by tough trading conditions in the US food market and the weak dollar.

Sir Allen Sheppard, chairman and chief executive, said pre-tax profits for the year to September 30 would be broadly in line with last year's £950m ($1.9bn) – between £50m and £60m below market forecasts.

GrandMet's shares fell 33p to close at 379p in London.

Trading profits from the group's US food operations, which showed little growth in the first half of the year, have been further affected by weak overall consumer demand and price pressures.

Green Giant vegetables, which account for a third of the sector's profits, were hit by a bumper harvest that cut prices to 1984 levels and squeezed margins.

"Market share trends, however, remain generally positive," Sir Allen said. Pillsbury brands increased volume sales by 7 per cent compared with a 1 per cent increase in the market generally.

The Pearle eyecare chain in the US and the Chef and Brewer pubs in the UK continued to reflect difficult retail market conditions but IDV, the group's drinks business, and Burger King "sustained good progress".

With more than half group profits coming from the US, the weakness of the dollar has compounded the effects of the testing trading conditions. The exchange rate in the first half added £21m to trading profits; but this benefit has been wiped out by the dollar's decline since.

GrandMet's accounts, however, will include extraordinary profits this year from the disposal of Express Dairy and other businesses as well as its investment in Rémy Cointreau.

"Although the hoped-for economic recovery has yet to materialise, GrandMet's major businesses continue to demonstrate resilience," Sir Allen said.

A final dividend of 7.7p will bring a total payment of 12.3p, an increase of 8.4 per cent. Sir Allen said gearing would be lower than last year's 75 per cent. Interest cover should improve to about 10 times compared with 6.6 times.

GrandMet filed yesterday for a $600m issue of fixed-rate debt securities in the US. The debt, in tranches of seven, 12 and 30 years, takes advantage of lower market rates and replaces existing borrowings and lengthen group debt maturity. About 90 per cent of GrandMet's £2.4bn debts are dollar-denominated.

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Bayer declines 9.8% in first half

By Andrew Fisher in Frankfurt

BAYER, the German chemical company, yesterday announced a 9.8 per cent decline in its first half pre-tax profits to DM1.75bn ($1.25bn) and said it no longer expected the world economy to improve fundamentally in the second half.

"We are bracing ourselves for tougher competition in all areas", it added. But it still expected to report a "satisfactory" result, though this would be slightly lower than that of 1991. Bayer made pre-tax profits of DM3.2bn last year, a fall of 5 per cent which was not as steep as those of its German rivals, BASF and Hoechst.

The latest results from Bayer were better than the market expected and the share price dipped by only 10 pfennigs to DM256 on a day when the Frankfurt stock market was down sharply as the weak dollar highlighted problems for German exporting companies.

Bayer said its first-half earnings drop was caused by continuing pressure on prices, especially in those sectors linked to manufacturing industry. Currency movements also hit profits. Turnover was down by 0.2 per cent to DM22.2bn. Volume sales rose 3 per cent.

In Europe, turnover was 2 per cent lower at DM14.6bn, mainly because of the weaker German economy. Business was fairly stable in the rest of western Europe. In North America, the trend remained favourable, with sales up by 8 per cent in dollar terms, though by only around 6 per cent to DM4.6bn when translated into D-Marks.

Sales in South America dropped by 5 per cent to DM920m, mainly as a result of the sale of the fibres manufacturing operation in Peru. Turnover in Asia and Africa rose 6 to DM2.1bn, with a third of the increase stemming from the strength of the yen.

British Gas blames weather for £82m loss

By Neil Buckley in London

BRITISH GAS yesterday blamed warm weather and growing competition in the gas market for a second-quarter fall to a pre-tax loss of £82m ($163m) on a current cost basis.

The loss compared with a £183m profit a year ago. The company warned this would reduce full-year profits unless the weather was significantly colder in the second half.

The figures were in the mid-range of analysts' forecasts, but shares fell 5½p to 237½p.

First-half profits fell to £778m from £1.16bn last year. Mr Philip Rogerson, managing director of group finance, said the fall was 70 per cent due to exceptionally warm weather which depressed demand, and 30 per cent to increasing competition and the recession.

In UK gas supply, operating profits fell £200m in the second quarter, reflecting a 12 per cent fall in sales volume. Purchase costs increased 4 per cent, while non-gas costs rose 4.5 per cent, disappointing analysts hoping for cost savings.

Mr Rogerson said independent shippers increased their share of the firm contract market to 30 per cent, and British Gas lost business in the interruptible market through customers switching to oil.

Operating profits for exploration and production fell to £2m from £51m, due to decreased sales and production, and depressed sterling oil prices. But profits from overseas gas supply rose from £19m to £23m.

"This is genuinely a very poor set of figures," said Mr Steve Turner, analyst at Smith New Court. "We underestimated the effects of the weather, but it is clear that margins are very badly squeezed and little progress has been made on cutting costs."

Mr Turner is downgrading his forecast for full-year net income to £1bn from £1.1bn.

A 6.4p half-year dividend, compared with a pro forma 6p a year ago, looked better news for the City. A 45:55 split between interim and final dividends would give a 14.2p payout, compared with a pro forma 13.4p last year.

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Turkish bank in Italian trade finance venture

EMLAK Bankasi, Turkey's third largest bank in terms of assets and deposits, is negotiating to start a new trade finance bank in Italy in a joint venture with Banco Ambrosiano Veneto of Milan, writes **John Murray Brown in Istanbul.**

The new bank, to be capitalised at $20m, will provide merchant banking facilities to take advantage of Turkey's expanding trade with Italy, now its second largest trading partner. Emlak will provide 80 per cent of the equity, its Italian partners putting up the balance.

The plan is one of a number of overseas moves by Turkish banks seeking to position themselves ahead of the EC Single Market in 1993. Emlak hopes to sign an agreement by the end of the year.

Emlak has 390 domestic branches as well as 11 overseas representative offices.

COMPANY NEWS IN BRIEF

The bank has traditionally been involved in lending to the housing and construction sector, which still accounts for half of its loan portfolio.

■ **HAGEMEYER**, the Netherlands-based international trading company, reported a 25 per cent climb in first-half net profit to Fl 42.1m ($26.6m) from Fl 33.6m during the same period a year earlier, writes **David Brown in Amsterdam.**

However, the company expected its growth rate to moderate during the second half, due to the weakening outlook for the European consumer electronics and automotive markets and instability of the US dollar exchange rate.

Consolidated net turnover advanced by 28 per cent to Fl 1.61bn from Fl 1.25bn, the bulk of which was accounted for by new acquisitions. Organic growth in existing business was just over 3 per cent.

Operating profit advanced at the same 28 per cent rate to Fl 83.1m from Fl 64.4m.

Hagemeyer, 60 per cent controlled by First Pacific, the Hong Kong investment group, said its recent acquisition of Fröschl of Germany gave a particular impetus to growth. Fröschl, Germany's leading electro-technical wholesale group, benefited from heavy new infrastructure investments in the former east Germany.

■ **TOPDANMARK**, the Danish banking and insurance group, said it expected its performance for the second half of 1992 to be at least as good as the first half of the year, when it recorded a DKr126.5m ($23.4m) pre-tax profit, writes **our correspondent in Copenhagen.**

Topdanmark's whole year 1991 group pre-tax loss was DKr273m.

The first half 1991 pre-tax profit was DKr120.8m.

The group's rationalisation programme would continue to contribute positively to the overall group result in the second half of the year, along with expected improved earnings by its Activbanken banking unit.

It said that these positive indicators would be offset to a certain extent by increased loan loss provisions in Activbanken, coupled with group share portfolio losses and an expected rise in claims in the insurance division.

Topdanmark said its sale of 27.08 per cent of its shares to Eureko, a recently set up Netherlands-based joint insurance venture, had been a lucrative transaction.

■ **SOPHUS BERENDSEN**, the Danish holding company, announced increased first-half 1992 group pre-tax profits of DKr613.88m ($113.6m), writes **our correspondent in Copenhagen.** It expects solid growth in profits for the whole year, despite difficult trading conditions.

Berendsen's first-half 1991 group pre-tax profits were DKr459.89m and pre-tax profits for the whole of last year were DKr973m.

Surge of 38% at Rhône-Poulenc

By Alice Rawsthorn in Paris

RHONE-Poulenc, France's largest chemicals group, yesterday announced a 38 per cent increase in net income to FFr1.55bn ($316m) in the first half of 1992 from FFr1.12bn in the same period last year.

The news of a rise in profits for Rhône-Poulenc, one of the growing band of French state-controlled companies which is keen to move into the private sector, contrasts with the recent stream of lacklustre interim sales figures from other large French industrial concerns including Elf-Aquitaine, the oil group which, on Monday, disclosed a sharp fall in first half profits.

Rhône-Poulenc, like other French companies, saw sales growth fall below inflation – running at an annual rate of 3 per cent in France – during the first half with an increase of 1.3 per cent to FFr42.56bn. However it managed to boost operating income by 22 per cent to FFr4bn.

Net income per share rose by 67.6 per cent to FFr21.34 during the first six months of the year.

The second quarter was slightly more robust than the first, with operating income rising by 18.9 per cent from FFr1.55bn to FFr1.84bn between the two quarters on static sales.

This growth in interim operating income was fuelled by a strong performance from its burgeoning health division, where operating income rose by 34 per cent to FFr2.15bn in the first half.

The group also fared well in speciality chemicals and fibre interests, which benefited from restructuring.

Speciality chemicals saw operating income rise from FFr156m to FFr407m during the first half, while the contribution from fibres and polymers rose from FFr311m to FFr418m.

Rhône-Poulenc's strong first half performance reflects the switch in group strategy to build up its healthcare business thereby reducing its reliance on its old basic chemicals interests.

Swedes confirm Procordia to head state sell-off list

By Robert Taylor in Stockholm

PROCORDIA, the pharmaceutical and food conglomerate, is likely to be privatised in late October or early November, pushing it to the top of the state's disposal list. The decision will be confirmed shortly by Mr Per Westerberg, the industry minister.

The state owns 40.4 per cent of Procordia's voting shares and 34.2 per cent of the equity. The other big shareholder in the company is Volvo which holds 45 per cent of its voting rights and 39.5 per cent of the equity.

The government had hoped to kick off its ambitious privatisation of the state-dominated industrial sector earlier in the year but this was held up by Volvo's SKr38.7bn reverse take-over attempt to acquire majority control of Procordia last January.

The resulting highly public confrontation between the two main Procordia shareholders ended four months later when Volvo withdrew its offer. Ministers decided instead to sell off the state's equity in SSAB, the Swedish steel company, as its first privatisation.

The government, which is being assisted in its preparation of the privatisation by S. G. Warburg and Goldman Sachs, hopes to attract considerable international interest in the sale of the state's shares while at the same time ensuring there is also a wide dispersion of Procordia's shares within Sweden.

There has been a short delay in the announcement of the plans for Procordia while the company was involved in merger discussions with Erbamony, part of Montedison, the Italian chemicals conglomerate, which failed to achieve an agreement.

The underlying strength of the company was confirmed yesterday with the publication of its first-half results. Procordia recorded an 8 per cent improvement in profits after financial items to SKr2.29bn ($446m) for the first six months of the year, up from SKr2.11bn. Turnover grew by 2 per cent to SKr19.75bn from SKr19.4bn.

Kabi Pharmacia, the pharmaceutical arm of Procordia, enjoyed an 11 per cent increase in its operating profits to SKr1.39bn from SKr1.25bn while sales improved by 15 per cent to SKr6.7bn from SKr5.84bn. The company also prospered in other parts of its business activities.

Operating profit in the food division rose by 16 per cent to SKr141m from SKr122m while as a result of the record-breaking hot Swedish summer beverage operating profits climbed by 35 per cent to SKr145m from SKr107m for the first half.

Astra soars 33% while sales of Losec thrive

By Robert Taylor

ASTRA, Sweden's leading pharmaceuticals company, yesterday announced a 33 per cent rise in its pre-tax profit for the first half of the year to SKr2.32bn ($453m) from SKr1.75bn.

Sales rose by 28 per cent to SKr7.63bn from SKr5.94bn. Earnings per share grew by 34 per cent to SKr12.40 from SKr9.25.

The company said it expected sales to climb by between 20 and 25 per cent during the whole of 1992 with a faster rate of increase in its profits.

Astra continues to thrive with sales of Losec, its anti-peptic ulcer drug, rising by 39 per cent to SKr2.03bn from SKr1.46bn in the first half. Total sales for Losec, including those sold through licensees, rose to SKr3.3bn from SKr2.25bn. Excluding Japan, where large-scale initial sales to the wholesale trade took place during the second quarter of last year, there was a 57 per cent growth in Losec sales.

Further growth in profits and sales for Losec can be expected after regulatory approval was given to the drug in Belgium, Brazil and France from July for the long-term treatment of severe ulceration and inflammation of the oesophagus as well as severe peptic ulcer disease.

There was also an impressive 64 per cent jump in sales of the group's anti-inflammatory asthma agent Pulmicort to SKr898m from SKr548m while sales of its vasodilating agent Plendil increased to SKr296m from SKr154m.

● Cardo, the Swedish industrial holding company, announced yesterday it made a SKr115.3m profit for the first six months, almost the same as the SKr114.2m in the same period of 1991.

In its forecast for 1992 the company said it was still expecting a SKr260m profit for the whole year, very similar to its performance last year. Sales improved to SKr5.41bn from SKr5.14bn.

Deficit at Saab Auto cut by 20%

By Robert Taylor

SAAB Automobile, the car company jointly owned by Saab Scania and General Motors of the US, yesterday announced a 20 per cent reduction in financial losses in the second quarter of the year to SKr507m ($98m) compared with SKr634m for the same period of 1991.

For the first half of the year as a whole the company suffered a loss of SKr800m, compared with SKr1.58bn for the same months of last year.

Sales increased by 8 per cent to SKr8.05bn from SKr7.44bn.

The figures suggest that the company, which was formed two-and-a-half years ago, is slowly pulling itself into profitability.

Mr Keith Butler-Wheelhouse, currently at GM's South African operations, starts work next Tuesday as the new chief executive, replacing Mr David Herman, who took up the top position at Adam Opel in Germany last month.

INTERNATIONAL COMPANIES AND FINANCE

Deere reduces production target for fourth quarter

By Karen Zagor in New York

DEERE & Company, the world's biggest manufacturer of farm equipment, yesterday unveiled weak third quarter earnings and warned of an uncertain outlook for the rest of the fiscal year.

The US company has scaled back fourth quarter production tonnage to about 21 per cent below last year's levels. This compares with a 5 per cent decline in third quarter production tonnage and a 4 per cent reduction for the first nine months of 1992.

Mr Hans Becherer, chairman and chief executive, said: "Although the lower production will facilitate our efforts to reduce company and dealer inventories, profitability will remain under pressure and our equipment operations will incur a net loss in the fourth quarter and for the entire fiscal year. However, our financial services operations are expected to continue to perform well during the remainder of 1992."

The Moline, Illinois-based company had third quarter net income of $9.1m, or 12 cents a share, compared with $31.3m, or 41 cents, a year ago. Sales and revenues slid 2 per cent in the quarter to $1.75bn from $1.79bn.

Mr Becherer said profitability had been hurt by high sales incentives costs in a soft market.

"Despite the current reasonably favourable economic fundamentals of North American agriculture, farmers have remained very cautious in making capital purchases and retail sales have been lower than anticipated," he said.

Industry-wide retail sales of industrial equipment had been slow in 1992 despite a gradual improvement in construction activity. In addition, the soft US economy appeared to be affecting consumer confidence and spending for durable goods.

On Wall Street, shares in Deere slid below their previous 52-week low to close $¾ down at $38⅛.

During the third quarter, Deere's North American lawn and grounds care equipment operations increased its operating loss.

For the first nine months, Deere had net income of $33.2m, or 44 cents a share, against $61.3m, or 80 cents, a year earlier. Sales and revenues were 2 per cent lower at $5.07bn compared with $5.15bn.

TDK has 18.4% decline in profits

By Steven Butler in Tokyo

TDK, the world's largest maker of magnetic tape, yesterday reported an 18.4 per cent decline in pre-tax profits to Y11.01bn ($88m) in the first quarter of the fiscal year which ended in June. Sales rose by 0.8 per cent to Y133.5bn.

The results reflect the poor market conditions in the electronics industry. TDK's sales of electronic materials and components were off by 3.4 per cent to Y91.4bn. However, the company said it increased sales of thin film and other magnetic heads, metal magnets and chip capacitors.

The company also increased sales of audiotape and videotape in the face of stagnant market conditions. Floppy disks and satellite receiving antennae sales also rose, producing an 11.3 per cent rise in TDK's recording media division to Y42.12bn.

Overseas sales, led by the US, rose by 5.8 per cent to Y70.32bn.

Net after-tax earnings dropped by 19.2 per cent to Y5.29bn.

TWA agrees restructuring plan with creditors

By Karen Zagor

TRANS World Airlines, the debt-burdened carrier operating under Chapter 11 of the US bankruptcy code, said it had reached agreements in principal with creditors and employees on a stand-alone reorganisation plan, paving the way for the airline to emerge from bankruptcy protection.

The Air Line Pilots Association (ALPA) was close to signing an agreement yesterday afternoon after saying late on Monday that TWA's earlier announcement was premature.

According to the airline, ALPA, the International Association of Machinists and the Independent Federation of Flight Attendants have agreed to unprecedented three-year wage, benefit and work rule concessions in exchange for a 45 per cent stake in the reorganised airline.

Creditors would receive 55 per cent of the equity in the reorganised airline, as well as debt securities and preferred stock. Mr Carl Icahn, TWA's owner, would inject $200m in cash and cancel more than $170m in face debt. He would also cede control of the airline.

An important sticking point appears to be the $232m unprotected portion of the pilots' pension fund. TWA's pension plan is believed to be underfunded by about $1bn.

Another outstanding issue is the pilots' demand for job protection if there were an asset sale.

Nova Scotia reports increased earnings

By Robert Gibbens in Montreal

BANK of Nova Scotia, Canada's fourth largest bank, reports that earnings in the first nine months of fiscal 1992 were up 8.9 per cent, reflecting increased domestic and foreign margins and gains in fee and other income.

For the three months to July 31, net profit was C$165m (US$138.6m), or 71 cents a share, against $165m, or 73 cents, a year earlier.

The latest quarter showed a small decline from the second quarter. Return on equity was 14.53 per cent, against 16.35 per cent, and on assets 0.69 per cent, against 0.75 per cent. Net interest income rose 5.1 per cent and other income 6.1 per cent.

Non-performing loans were C$2bn at July 31, or 2.9 per cent of total loans, against 2.7 per cent at April 30. Loan losses for fiscal 1992 are estimated at C$640m, unchanged from April 30. Sovereign loans, after provision, were reduced to C$1.05bn from C$1.6bn at April 30, due mainly to the Mexico's removal from the official "basket" of developing country loans.

Last May Bank of Nova Scotia said its exposure to the Olympia and York Developments group was about C$600m. Analysts said the results and provisions indicate that the bank has provided fully for this exposure.

Bank of Montreal ahead 14% despite provisions

By Robert Gibbens

BANK of Montreal, Canada's third largest bank, reported a 14 per cent gain in third-quarter profit despite higher loan loss provisions.

Net income for the July 31 quarter was C$173m (US$89m), or C$1.29 a share, up from C$152m, or C$1.17 a share, a year earlier. This reflected improving market share, strong treasury and international operations and tight cost control.

Net interest income was up 16 per cent. Return on common equity was 15.1 per cent.

Despite the recession, small and medium-sized business loans were up 15 per cent and consumer mortgages up 17 per cent. Growth in US corporate business continued good.

Foreign exchange trading revenues gained 18 per cent and a C$7m dividend was received from the Brazilian subsidiary. Expenses were held to a 5 per cent increase.

Nine month earnings were C$480m, or C$3.59 a share, against C$419m, or C$3.28, a year earlier. Average assets were C$103bn against C$93bn.

Non-performing loans totalled C$2.1bn, or 3.2 per cent of total loans, up C$318m from April 30.

Australian ICI sheds 200 jobs

By Kevin Brown in Sydney

ICI Australia, a subsidiary of the UK chemicals group, yesterday blamed reduced tariff protection for the closure of part of an industrial site in Sydney, with the loss of 200 jobs.

The company said the closure had been forced because of reduced domestic demand, "dumping" of imported chemicals by overseas competitors, low international prices and higher government charges.

It said six of the eight plants at the site would cease production over the next few months. Products from overseas plants will be imported to meet orders.

ICI's action follows earlier warnings that parts of its Australian manufacturing operations were at risk from tariff reduction, which is being pursued by the federal Labor government under its policy to open the economy to international markets.

The announcement was criticised by the Construction Forestry and Mining Employees Union.

USX polishes up a brighter future

Martin Dickson reports on the US steel and energy giant which survived intact by giving each division its own listing on the New York Stock Exchange

AT THE start of last year the outlook facing USX, the huge US steel and energy group, looked bleak indeed: Mr Carl Icahn, the corporate raider, was demanding the break-up of the business. The United Steelworkers union was threatening strikes at its plants. And recession had sent US demand for steel plummeting.

Eighteen months on, US steel demand remains weak, but USX's position has so improved that some bolder Wall Street analysts believe the steel part of the business could provide one of the market's better-performing investments over the next year or so.

The changed perception is due in large measure to an improvement in earnings by both its steel and energy operations, but it may also be due in some measure to the unique defensive measures USX took in the spring of last year to protect itself from Mr Icahn's break-up demands.

Mr Icahn, then with a 13 per cent stake in the company, argued that the separation of US Steel, the largest integrated steel manufacturer in America, and Marathon, the 11th largest oil and gas company, would create value for shareholders, since Wall Street would place a higher value on the parts of the business than the whole.

USX eventually got him, and its shareholders, to agree to a less drastic plan: the group would remain one legal entity, but its stock would be divided into two separate issues, each with a quotation on the New York Stock Exchange. One would track the fortunes of the steel business and the other Marathon.

USX's management argued that this would give it both the valuation benefits of a break-up and the administrative savings and tax and debt-rating advantages of a single corporate parent.

The results have been mixed, but appear moderately successful. On the negative side, the two separate stocks have not performed as well as hoped.

Just before the split took effect in May last year, USX shares were trading at around $28. A similar package of Marathon and US Steel shares trades today at somewhat below that level, due largely to a slump in oil stocks and the slow pace of US economic growth. There is, of course, no knowing whether the old combined shares would have done even worse than this.

Mr Charles Corry, USX's chairman, says the split has clearly been a success because the two shares now move independently, based on the different influences of the steel and energy sectors.

Each of the businesses had their own successful secondary offerings of shares this spring and were appealing to different groups of investors, points out Mr Tom Usher, who heads US Steel. "Some people were excited about steel because of the cyclical play. Others felt the energy business was going to come on strong."

The split has allowed Wall Street to focus more clearly on the separate divisions. In the past USX suffered because brokers' analysts specialise in the steel sector or energy but rarely both.

Mr Corry points to other benefits from not legally splitting the group. The biggest, he says, has been the advantage of filing a single tax return in a year like 1991, when steel lost money and energy produced a profit. "Instead of one paying taxes and the other simply having a claim to carry over against future income, all the money stayed within the corporation."

He believes the unified legal entity has also saved debt financing costs. US Steel, which would have faced particularly high rates because of last year's losses, has benefited from the "blended rates" available to the group as a whole.

Why, then, has not a single other US conglomerate beaten a path to Shearson Lehman, the investment bank which devised the split, in search of the same medicine?

It may be partly fashion. Wall Street's latest tricks tend to be assimilated slowly and warily by corporate managements. It may also be because the disappearance of the hostile takeover in the 1990s makes such defensive tactics less vital.

Also, fund managers seem divided over the merits of the scheme, while residual doubts remain among Wall Street analysts about the finer points of the split.

Nevertheless, those same analysts are growing increasingly enthusiastic about USX's business operations. The steel division, which lost $507m last year after a $402m restructuring charge, was the only integrated company to return to the black in the second quarter of this year, although it achieved that thanks to a pension credit.

Among the Big Steel companies, USX seems to be one of the best placed to take advantage of any recovery in both US demand and prices. It has massively restructured the business over the past decade, slashing steel-making capacity and employment while spending heavily on plant modernisation, some of it in ventures with Japanese manufacturers.

The workforce now stands at just 18,000, producing around 9.5m tons a year, compared with the 120,000 people who made 10.3m tons in 1982. Productivity at its largest plant, in Gary, Indiana, has shot up to 2.7 man hours per ton, compared with more than 7 a decade ago, and is now widely reckoned to be the best among Big Steel's plants.

That said, none of the integrated manufacturers faces an easy ride over the next five to 10 years as they face increasing competition from the small, nimble mini-mills which have been taking market share for years and are now invading the last bastion of the integrateds – flat-rolled steel.

But US Steel recently underlined how much better equipped it is than many other companies to wage this fight when it revealed it was considering building a flat-rolled mini-mill of its own.

Marathon, for its part, is out of market favour because of the oil industry's poor earnings outlook. Yet it has one of the fastest-growing production profiles among the major US energy companies, thanks to the development of the British North Sea's East Brae field, due to start production late next year.

This, and increased production in the Gulf of Mexico, promise a big hike in earnings from 1994.

USX's restructuring days are not yet over. It has a string of non-steel businesses inside the steel division, including a clutch of coal mines.

The group also got approval this year to follow up last year's stock split by issuing a new class of shares to track the performance of its Delhi US natural gas gathering business, which had operating income last year of $33m.

It is keeping open the option of selling Delhi outright to another company. But it is possible that the first company to follow USX's stock-splitting lead will be USX itself.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

1/2 hour period ending	Provisional Price for Trading on 25.08.92: Pool purchase price £/MWh	Final Prices for Trading on 28.07.92: Pool purchase price £/MWh	Final Prices for Trading on 28.07.92: Pool selling price £/MWh
0030	17.88	17.76	17.76
0100	17.78	17.76	17.74
0130	17.76	17.75	17.76
0200	17.78	17.78	17.76
0230	17.78	17.70	17.76
0300	17.78	17.76	17.76
0330	17.78	17.76	17.76
0400	17.78	17.70	17.76
0430	17.76	17.76	17.76
0500	17.75	17.76	17.78
0530	17.78	17.58	17.58
0600	17.78	17.58	17.58
0630	17.86	17.76	17.76
0700	20.67	20.31	22.63
0730	20.67	21.48	23.76
0800	23.86	23.78	26.15
0830	26.05	24.56	26.95
0900	26.34	25.77	28.18
0930	26.35	27.02	29.42
1000	26.36	27.02	29.42
1030	26.38	27.02	29.38
1100	26.36	27.02	29.33
1130	26.03	27.02	29.33
1200	26.05	27.02	29.32
1230	26.04	27.02	29.32
1300	26.03	27.02	29.33
1330	26.35	25.92	28.22
1400	26.08	25.92	28.23
1430	24.90	25.67	27.96
1500	24.90	25.92	28.24
1530	24.90	25.92	28.24
1600	24.91	25.92	28.23
1630	24.91	25.92	28.22
1700	26.01	25.92	28.21
1730	26.01	25.92	28.21
1800	26.00	25.92	28.22
1830	24.70	24.78	27.09
1900	23.88	24.17	26.47
1930	23.23	23.16	25.46
2000	19.00	21.80	24.17
2030	19.00	17.80	17.80
2100	26.64	18.75	18.75
2130	26.39	25.12	27.46
2200	26.39	27.99	30.40
2230	23.21	27.99	30.41
2300	22.52	21.35	23.59
2330	20.67	21.48	23.71
2400	20.67	20.35	22.57

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.86/MWh becomes 1.886p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction with final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8.30am and 5.15pm Monday to Friday.
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INTERNATIONAL CAPITAL MARKETS

Gilt prices fall as sterling remains fragile

By Angus Foster in London and Patrick Harverson in New York

EUROPEAN government bonds were hit by French opinion polls showing an increasing "No" vote for Maastricht. Sterling, lira and peseta bonds fell by between a half and one point. French bonds fell sharply although German bunds held steady.

GOVERNMENT BONDS

Rumours of the poll results were in the markets by lunch time, and prices were dragged further down on confirmation of the first poll's findings that 51 per cent of people intending to vote would oppose the treaty. A later poll showing a small majority in favour of ratification lifted sentiment slightly.

In London, the poll results came on top of worries about sterling, which fell to within a pfennig of its lower limit against the D-Mark of DM2.778.

Gilt prices fell across the yield curve, with the benchmark 9¾ per cent due 2002 down half a point to 101 9/16. In very active futures trading, the Liffe gilt futures contract fell from 96.07 to 95.20 in late trading. "Sterling is still looking very fragile and the bias for gilts remains downwards," said Mr Philip Tyson, bond analyst at UBS Phillips & Drew.

Spanish and Italian government bonds, also perceived as more at risk from an ERM realignment, fell on Maastricht and currency worries, with the Italian futures contract down more than a quarter of a point from its opening of 92.75 to about 92.47.

French government bonds fell by up to half a point because of the polls and a weakening franc. The yield on the 8½ per cent 2002 bond rose from 9.13 per cent at the opening to 9.21 by late afternoon. The 10-year French German yield spread moved from 122 basis points to more than 130 basis points.

Dealers said a French interest rate rise was still some way off, but the franc was beginning to behave like weaker currencies in the system such as sterling. A rise in interest rates could further boost the anti-Maastricht vote, one observer said.

German government bonds held steady on the strength of the D-Mark and investors switching out of other European government bonds. The Liffe bund futures contract edged up from 88.13 at the opening to 88.15.

■ AFTER rising in early trading in the wake of a stable dollar and a weak consumer confidence report, US Treasury prices fell on news of poor demand at the afternoon auction of $15bn in two-year notes.

In late trading the benchmark 30-year government bond was up ⅛ at 97⅞, to yield 7.425 per cent. The two-year note was slightly lower at midsession, however, down ⅛ at 100, yielding 4.231 per cent.

For the first half of the day the bond market was tied to the dollar's performance. Despite an early dip in the US currency – it dropped below DM1.40 briefly before recovering to stand virtually unchanged – bond prices held up well, posting modest gains by mid-morning. Sentiment was helped by news of a weakening in the Conference Board's consumer confidence survey from 61.2 in July to 58.0 in August – analysts had expected a slight increase in the figures. Prices retreated following the two-year auction, which drew only moderate demand from investors.

■ JAPANESE government bonds closed higher following afternoon buying on continued expectations of lower interest rates. Analysts said gloomy economic news due in the next couple of weeks could prompt the authorities to cut rates sooner rather than later. This should lift the shorter end of the market, although longer dated issues may be held back by worries about oversupply.

The benchmark No 129 bond opened with a 4.73 per cent yield and closed at 4.64 per cent, just below the day's high. It continued to firm to 4.63 per cent in London trading.

The Ministry of Finance's announcement that no further shares in NTT will be sold before fiscal year 1994/95 came too late for the market. But dealers said the 247.19 point fall in the Nikkei to 16,380.77 showed the market is sceptical whether further measures to be announced on Friday to boost the economy and stock market will be enough.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	107.7109	-3.083	8.83	8.35	8.54
BELGIUM		8.750	06/02	98.4000	-0.050	8.99	8.96	8.94
CANADA *		8.500	04/02	107.5300	-0.450	7.40	7.31	7.62
DENMARK		9.000	11/00	95.1000	-0.400	9.88	9.56	9.29
FRANCE	STAN	8.500	03/97	95.8374	-	9.64	9.38	9.39
	OAT	8.500	11/02	96.0700	-	9.09	8.98	9.04
GERMANY		8.000	07/02	100.8700	+0.020	7.87	7.95	8.02
ITALY		12.000	05/02	92.6000	-0.170	13.82†	13.61	13.95
JAPAN	No 119	4.800	06/99	100.1545	-	4.77	4.73	5.13
	No 129	6.400	08/00	109.9214	+0.610	4.63	4.71	5.01
NETHERLANDS		8.250	06/02	99.5950	+0.065	8.30	8.31	8.37
SPAIN		10.300	06/02	87.6500	-1.025	12.53	12.10	12.35
UK GILTS		10.000	11/96	101-07	+15/32	9.63	9.45	9.33
		9.750	08/02	101-18	-16/32	9.50	9.22	9.08
		9.000	10/08	98-13	-11/32	9.19	8.96	8.89
US TREASURY *		8.375	08/02	97-12	-13/32	6.74	6.57	6.88
		7.250	08/22	87-09	-12/32	7.47	7.38	7.52
ECU (French Govt)		8.500	03/02	92.8000	-1.010	9.66	9.30	9.48

London closing *New York closing. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Moody's cuts ratings of DKB and Mitsubishi

By Emiko Terazono in Tokyo

MOODY'S Investors Service, the US credit agency, yesterday lowered ratings of two Japanese commercial banks, Dai-Ichi Kangyo and Mitsubishi.

The downgrade of two of the most conservatively run commercial banks, from Aa1 to Aa3, shows the extent of deterioration of property related assets at Japanese banks.

Moody's referred to DKB's involvement in the restructuring of financial companies which lent heavily to property related developments. DKB is likely to face further asset quality deterioration owing to direct and indirect property related exposure domestically and internationally.

DKB is also burdened by higher overhead costs, thus making its low profit margins more vulnerable to a rise in non-performing loans.

Mitsubishi faces exposure to the weak US property market through Bank of California, its US subsidiary. The bank also faces exposure to the property market through its non-bank financial affiliates.

Moody's said Mitsubishi faces a competitive disadvantage because of its weak core profitability and low penetration in the domestic retail market. It added that although the bank's core earnings are improving due to higher interest rate profit margins, the increasing problems in assets quality could jeopardise the bank's financial performance in the medium term.

Sears Canada plans share issue

SEARS Canada plans to issue 10.5m common shares at a price of C$7.25 per share for a total value of C$76.125m before expenses, Reuter reports from Toronto.

Sears said its major shareholder, Sears, Roebuck, will subscribe to 5.25m of the shares. Proceeds from the issue will be used to reduce debt.

Bankers await result of French Maastricht poll

By Sara Webb

INVESTMENT bankers are waiting for the French referendum on ratification of the Maastricht Treaty on September 20 to see whether stock market conditions will improve, providing a more favourable environment for international equity issues.

INTERNATIONAL EQUITY ISSUES

They hope to see a steady stream of international equity offerings from European state-controlled companies this autumn, as governments in Spain, Italy, Sweden and France push ahead with privatisation programmes, but this could depend on the referendum's outcome.

"If France votes against European economic and monetary union, the equity markets will not be as conducive to new issues," said one Japanese banker, warning that a "no" vote would upset the currency, fixed interest and equity markets, whereas a "yes" vote would help boost sentiment in Europe's financial markets.

Activity in the international equity markets has dried up in recent weeks mainly because of poor market conditions – although some syndicate managers have warned that investor demand is much weaker during the summer months especially following Wellcome's large global offering.

European governments such as those in Italy and Spain are eager to reduce their budget deficits in order to help meet the targets set out in the Maastricht Treaty on European economic and monetary union. In addition, some governments are less willing to make heavy investments in the state-owned industries.

Already several European companies have announced their intentions to raise capital in the equity markets.

They are expected to use either straight share offerings or equity-related issues such as convertible bonds and bonds with warrants.

Repsol, the Spanish state-controlled oil and gas group, plans to raise up to Pta100bn with a share offering aimed at international investors.

The international offering is expected to reduce the state's stake in Repsol from 62.3 per cent to 40-50 per cent, bankers said.

The Spanish group recently raised Pta80bn with a convertible bond issue aimed at domestic investors.

The bonds are due for conversion at the end of September.

Elsewhere in Europe, Sweden's centre-right government is due to launch its most ambitious privatisation with the sale of shares in Procordia, the food and pharmaceuticals group. The share sale is likely to take place in October or November although details of the international tranche are still to be decided, according to bankers involved in the issue.

The French state is due to reduce its stake in one of the three state-controlled insurance companies – AGF, UAP and GAN – and if the Socialists lose at the next election, it is likely that a new centre-right government would step up the pace of privatisation.

One investment banker warned that governments will come under pressure to launch their sales of shares in state-controlled companies fairly swiftly in order to avoid clashing with Italy's large privatisation programme aimed at reducing the government's level of indebtedness.

The privatisation programme is seen as a test of the government's ability to improve the state of the economy.

Four Italian public sector groups – IRI, ENI, ENEL and INA – were transformed into joint stock companies this month as a first step towards privatisation.

Enthusiastic demand for Amoco US$250m issue

By Tracy Corrigan

DESPITE the continued weakness of the dollar, two borrowers launched offerings totalling $350m in the Eurodollar bond market yesterday.

INTERNATIONAL BONDS

Amoco Canada Petroleum, the arm of the US oil and gas company which acquired Dome Petroleum in 1988, launched a US$250m issue of 10-year bonds, its first Eurobond since 1986.

Last year, the company raised C$2bn in new bank debt and commercial paper, retiring most of the remaining debt incurred in the C$5bn acquisition of Dome. The proceeds of yesterday's Eurobond will be used to refinance some of that short-term debt.

Amoco's infrequent appearance in the market, combined with its AAA debt rating, allowed it to achieve unusually fine pricing, while meeting enthusiastic investor demand. Amoco is one of a dwindling band of companies to have held on to a AAA debt rating (British Gas recently lost its top rating, for example). Nevertheless, the pricing of the bonds at a yield spread of 42 basis points above the US Treasury yield, the same level as for Japanese government guaranteed agencies such as Japan's Export-Import Bank, was considered an aggressive move.

"More frequent triple-A corporate borrowers would not have been acceptable at that level," one trader said. In fact, there is little comparable paper at the 10-year area of the yield curve, which is well liked by investors due to the positive shape of the yield curve.

The steep yield curve in the US market, coupled with the feeling that the US dollar must be close to bottoming out, seems to have helped buoy European sentiment on dollar bonds. While dealers reported some selling of Eurodollar bonds by Japanese accounts, European accounts have not been unloading paper. "Partly, they do not want to liquidate because they do not know what else to buy," one trader said. Many investors are positioned in German bonds for interest rate cuts which have yet to materialise. These positions are costly to hold because of the inverted yield curve. Other European markets remain vulnerable to worries over the Maastricht Treaty.

Also in the dollar sector, Telebras, the Mexican telecommunications company, launched a $100m issue of five-year Eurobonds via Merrill Lynch.

In the German market, Crédit National, the French agency, launched a DM300m five-year deal via Dresdner Bank, which was aimed at retail investors in Benelux and Switzerland.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Credit Foncier(b)‡†	300	(b)	100	2002	50/20bp	Paribas Capital Markets
Amoco Canada(a)†	250	7.25	101.915	2002	2/1.675	Goldman Sachs Intl.
Telebras(a)†	100	10.375	97.83	1997	1¼/1	Merrill Lynch Intl
ECUs						
Shinagawa Fuel(a)♦	70	6	100	1996	2¼/1½	Daiwa Europe
D-MARKS						
Credit National(a)†	300	8.5	101.5	1997	2/1¼	Dresdner Bank
SWISS FRANCS						
Japan Finance Corp (a)†	150	7.125	102.5	2002	-	Swiss Volksbank
Oekolondsia)†	150	7.125	102.25	2004	-	UBS
Daewoo Corp.(c)★★§	45	4.5	100	1996	-	SBC

‡Floating rate note. †Final terms. §Convertible. ★★Private placement. ♦With equity warrants. a) Non-callable. b) Amount increased from $200m. Coupon pays ⅛% below 6-month Libor and payable semi-annually. Subordinated issue. Minimum interest rate 5%, maximum 10%. Non-callable. c) Put option on 30/12/94 at 112.3%.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on August 25

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day = Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread = Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn = The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	0	72	4
Other Fixed Interest	2	10	3
Commercial, Industrial	111	532	794
Financial & Property	29	407	365
Oil & Gas	8	31	47
Plantations	0	0	9
Mines	4	61	84
Others	8	83	28
Totals	162	1,196	1,334

LONDON RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

RIGHTS OFFERS

W Pro Forma figures. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ¶ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium. ■ Units comprising 4 Ords. and 7 Zero Div. Prefs. and 4 Stepped Pref. shares.

TRADITIONAL OPTIONS

- First Dealings August 17
- Last Dealings August 28
- Last Declarations Nov. 12
- For settlement Nov. 23

3-month call rate indications are also shown on this page.

Calls in: Allied Leisure, Ladbroke, Lilley, Marston Thompson, Ratners, Royal Insce., Tarmac, Tiphook and Trafalgar House. Put in: Barlows. Double (Put and call) in BET.

LIFFE EQUITY OPTIONS

August 25 Total Contracts 41,331
Calls 17,376 Puts 23,955
FT-SE Index Calls 6,487 Puts 9,466
Euro FT-SE Calls 872 Puts 5,228
Eurotrack 100 Index Calls 0 Puts 0
*Underlying security price. † Long dated expiry months. Premiums shown are based on closing offer prices.

TRADITIONAL OPTION 3-month call rates

	p		p		p		p		p
■ INDUSTRIALS		Charter Cons.	37	Ladbroke	18	Sears	8½	■ OILS	
Allied-Lyons	49	Comm Union	34	Legal & Gen	29	SmKl Bchm A	60	Aviva Pet	25
Amstrad	6	Courtaulds	43	Lex Service	22	TI	55	BP	18
Astec (BSR)	3	Eurotunnel	32	Lloyds Bank	32	TSB	11½	Burmah Castrol	48
BAT Inds	58	FKI	6	Lonrho	12	Tesco	22	Conroy Pet	8½
BOC	53	FNFC	7	Lucas Inds	12½	Thorn EMI	63	Gaelic Res	½
BTR	35	Forte	19	Marks Spencer	27	T & N	11½	Premier Cons	2¾
Barclays	29	GKN	33	Midland Bank	30	Unilever	70	Shell	35
Blue Circle	24	Gen Accident	58	NatWest Bank	26	Vickers	15	Tuskar Res	½
Boots	34	GEC	17	P & O Dfd	37	Wellcome	75	■ MINES	
Bowater	60	Glaxo	52	Racal Elect	6½	■ PROPERTY		RTZ	47
Brit Aerospace	28	Grand Met	38	RHM	18	Brit Land	18		
British Steel	7	GRE	18	Rank Org	55	Land Sec.	30		
BT	25	Hanson	18	Ratners	3	MEPC	26		
Cadburys	38	ICI	95	Reed Intl	44				

Time to shine as an individual

Christopher Price on the 'unbundling' of the electricity shares

OVER THE next two weeks, £1.4bn worth of shares in the 12 regional electricity companies will be under review as institutional investors consider how best to "unbundle" their package of shares, which ceases to trade on the Stock Exchange on September 4.

The move will mark a shake-up in the market for electricity shares as the institutions, which up to now have not had to focus on individual performances to a great degree, are forced to consider the fundamentals of the different Recs and decide which stocks they wish to be in.

The package was the government's method of allowing institutions to invest in the electricity flotation in December 1990, through holding just one stock, while also giving the sector an initial boost of liquidity. Only retail investors were allowed to buy individual Rec shares at the flotation.

Each package consists of 1,000 shares, drawn from the 12 Recs and weighted in terms of each of the companies' market capitalisation on the day of flotation. Institutions liked the package – 44 per cent of shares were apportioned this way – because it gave them a spread of investments in an homogenous industry where detailed financial information was limited and while holding just one unit.

Unbundling of the package had gathered pace over the last 6 months as the deadline has approached and fund managers have begun to gather more information about individual Recs. However, with over 16 per cent of Rec shares still contained in package form, the next fortnight will see active trading in the sector.

Institutions have two alternatives. The first, and most popular, is to sell the packages to brokers operating a buy-back scheme. They then break up the package and sell the institutions an equivalent value of shares in individual Recs. This has the commercial advantage that the investor will receive a slightly better price from selling the package as a whole than from selling the shares of the individual Recs separately.

The other route for package holders is that after the September 4 cut-off date, the certificate ceases to trade and 11 days later becomes worthless. The registrar will then forward individual certificates for the 12 companies' shares to the holder. Few institutions are likely to follow this route, simply because their funds are based on monitoring a limited number of investments.

The performance of individual Rec shares against the package price over the last 6 months gives some indication of which companies the institutions are favouring.

Norweb appears to have benefited most from the package unbundling. This appears to have not so much to do with the financial performances of the company than the perceived positive view among institutions over its management and strategy. Partly because of the institutional interest, the company has the lowest historic yield – 5.4 per cent against the package's 5.8 per cent – among the Recs.

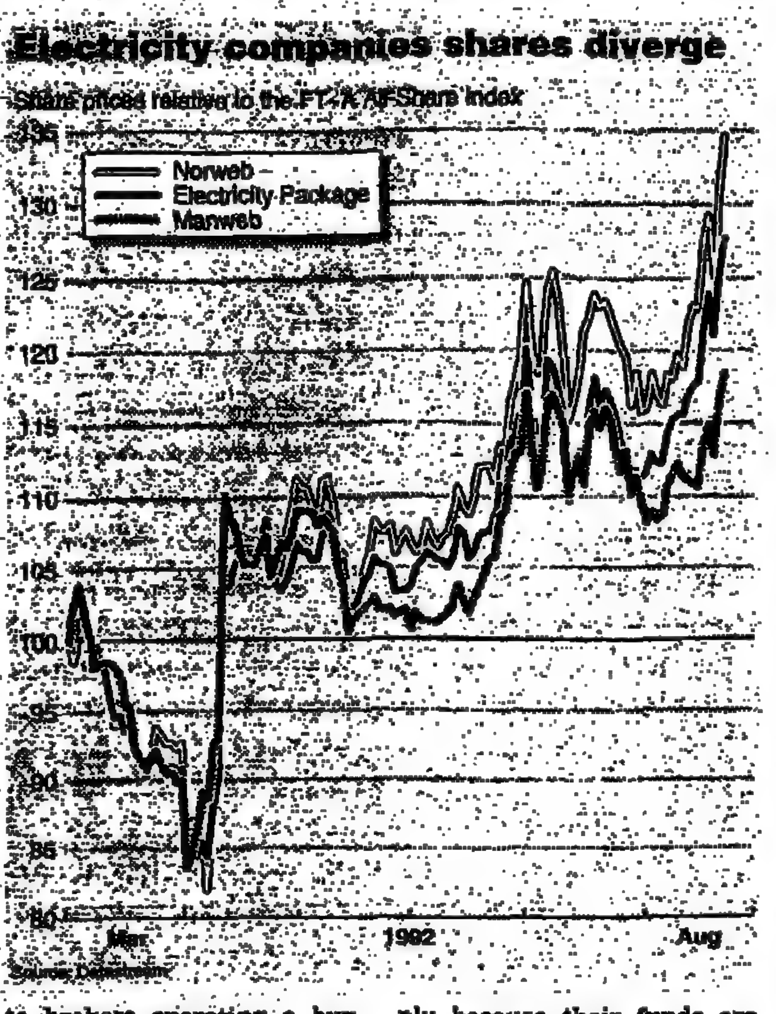
"The amount of attention paid to financial detail by fund managers is surprisingly small," says Mr Chris Rowland at BZW. "So other issues, like management style and strategy, are becoming important." For the same reasons, unbundling has not favoured Manweb, Eastern and London, where worries about diversification into generation and retailing among others have made fund managers nervous.

However, different companies are attracting different types of funds. For example, unit trust funds wanting short-term income are migrating towards high yielding stocks such as Northern and East Midland. Other fund managers are worried about liquidity and will only consider the more liquid, ie larger stocks, such as Eastern, London and Yorkshire.

Mr Rowland believes that the biggest single investment issue facing fund managers is how individual companies will fare from the 1994 regulatory review which will be the first of significance since privatisation.

It will set new values for 'x', which is an important component of the Recs' pricing structures. "Companies with a high rate of return could be penalised with a tighter x factor. It will also mean that they will need high dividend cover."

He is advising clients to look at companies with lower returns and good cover such as London, Seeboard and South West. However, Mr Tim Anker at Smith New Court rates Southern, Midland and Norweb, arguing that the quality of management together with their positions in relation to regulation mark them out as potential outperformers.



Dissidents seek to oust Simpsons board

By Tim Burt

A GROUP of disaffected shareholders in Simpsons of Cornhill, owners of the famous City eating house, yesterday announced plans to oust the board at an extraordinary meeting.

The dissidents, led by Mr Robert Klapp – former chairman of Select Appointments – want to take control of the company amid claims that its existing directors have missed investment opportunities in the restaurant trade.

Moves to replace the Nottingham-based management team were announced ahead of a separate EGM tomorrow where shareholders will vote on resolutions calling for the appointment of two directors from the dissident group.

Mr Klapp's group claims the board at Simpsons, which also owns the Jamaica Inn and the Dell'Ugo and Palio restaurants, is out of touch with tough trading conditions in the London catering trade.

The dissidents hope to force a second EGM following recent share transactions which could leave them short of the majority stake necessary to force through their resolutions.

Up to 40 per cent of the shares are thought to be controlled by the rebel group, but it is unclear whether they can rely on a 10 per cent stake purchased last week by Mountjoy, an offshore company registered in the Turk and Caicos Islands.

Mr Paul Reece, managing director of Simpsons, yesterday claimed that Mr Klapp had sold 50 per cent of his shares to Mountjoy, diluting the dissidents' chances of success.

"A second EGM would be a waste of the company's time," he added. "These people have no experience of our industry."

The dissident group, however, said: "We are hopeful of further support from recent share buyers who are not currently on the share register.

"We will be writing to all shareholders in the next few days to let them know of our plans."

NEWS DIGEST

Kerry 18% higher at I£10.6m

PROFITS OF Kerry Group, the food manufacturer based in the Republic of Ireland, rose from I£9.01m to I£10.6m (£10m) pre-tax for the half year ended June 30.

The 18 per cent improvement was struck on turnover of I£392m (I£339m), an increase of 15.6 per cent.

The figures included those of Meadow Meats, acquired in May 1991, Dairyland Products, acquired in June 1991, and Tunney Meats, acquired in the second half of 1991.

Operating profits increased by 12.5 per cent to I£20.2m.

"On the basis of performance to date, we are confident that our results for 1992 as a whole will continue to show satisfactory growth and progress," said Mr Michael Hanrahan, chairman.

Earnings per share came out at 6.08p (5.63p) and the interim dividend is increased to 0.79p (0.75p).

Asset value falls at Murray Intl Trust

Net asset value per share at Murray International Trust fell from 254.34p to 248.71p over the 12 months to June 30, assuming full conversion of B ordinary shares.

After-tax revenue for the six months to end-June amounted to £6.09m (£6.64m), equal to earnings of 5.12p (5.59p) per share.

The trust has already promised dividends totalling 11.4p (10.9p) for the current year and along with its half year results forecast an interim of not less than 7.9p (same) in respect of the year ending December 31 1993. 2p.

Assets dip at TR European Growth

The lack of investor confidence in smaller European companies was blamed by TR European Growth Trust for a decline in its net asset value over the 12 months to June 30.

The figure of 97.88p per share showed an 8 per cent fall on the comparable 106.3p, against a marginal rise in the FT-A Europe (Ex UK) Index.

Net revenue dipped to £881,000 (£1.23m) for earnings of 2.29p (3.14p) per share. The single distribution for the year is 1.35p, up from 1p last time, excluding the 1.5p special.

River & Mercantile Smaller value down

River & Mercantile Smaller Companies Trust had a net asset value of 99.27p per share at July 31 against 105.53p a year earlier.

Net revenue for the year fell from £1.23m to £924,000 for earnings per share of 3.69p (4.93p). A final dividend of 2.65p is recommended for a total of 3.9p (4.12p including special of 0.37p).

Darby dives to £285,000

With no improvement in trading conditions through the second six months, Darby Group, a USM-quoted maker of specialist glass products, suffered a fall in profits from £1.51m to £285,000 pre-tax for the year to February 28.

Earnings declined to 2.51p (9.31p) and a reduced final dividend of 0.8p (2.1p) cuts the total by 1.3p to 2p.

Certain expenses deferred at the half way stage associated with Darby (France) were not considered appropriate, given continued difficulties in the French market, and were charged against profits for the full year.

Directors said the charge was the main reason that full year profits were lower than the £406,000 announced at mid-year.

Helped by acquisitions, sales for 1991-92 rose from £15.12m to £17.87m. Interest charges accounted for £797,000 (£249,000).

EFT advances 38% to £706,000

Against a "background of continuing weak demand for capital investment", EFT Group, the financial services company, achieved a 38 per cent increase in pre-tax profits for the six months to June 30.

The rise, from £510,000 to £706,000, was achieved on revenue marginally ahead to £3.7m (£3.66m). Earnings came through at 1.49p (1.09p) per share and the interim dividend is lifted to 0.4p (0.33p).

Needler cuts interim loss to C$1.5m

Needler Group, the USM-quoted Canadian building materials company, turned in a reduced pre-tax profit of C$1.39m (£610,000) for the second quarter to June 30, down from C$1.46m for the comparable period last year.

Sales for the quarter were ahead at C$13.1m (C$12.5m). Earnings per share increased to 4.9 cents (4.3 cents).

This brings the loss for the half year to C$1.5m against $2.02m. Sales improved from C$17.4m to C$18.6m.

Losses per share came out at 5.6 cents (8.2 cents) and the interim dividend is again 2.5 cents.

DC Cook £121,000 in the black

DC Cook Holdings, the USM-quoted operator of car dealerships and petrol stations, returned to the black in the year to April 30 with pre-tax profits of £121,000 compared with losses of £1.48m.

There were profits of £107,000 at the halfway stage.

The result was achieved on turnover of £108m (£123m) and was after an exceptional £70,000 (£607,000) charge and interest payments of £2.09m (£3.02m).

Mr Derek Cook, chairman, said the UK property division produced "particularly disappointing" results while the motor division exceeded expectations with a substantial increase in operating profits.

The performance of Norfolk Espana, the group's Spanish roadside property development company, was better than expected and contributed £865,000 to operating profits.

Earnings per share emerged at 1.08p (0.43p losses) basic and 1.11p (0.15p) fully diluted. A final dividend of 0.3p is proposed for a total of 0.5p (1p).

Ecclesiastical Ins Office back in black

Ecclesiastical Insurance Office, owned by Allchurches Trust and responsible for insuring 95 per cent of Anglican churches, returned to the black with a £3.65m pre-tax profit for the half year to June 30 against a £2.16m loss last time.

General premium turnover was up from £58.5m to £64.3m although life premium business fell from £15.6m to £9.16m.

Sumit declines sharply to £33,000

Sumit, which provides development and venture capital to unquoted companies, announced a sharp fall in pre-tax profits from £111,000 to £33,000 in the half year to June 30.

Net asset value per share at June 30 amounted to 92p (115p) or 97p (114p) fully diluted.

After-tax profits declined to £22,000 (£77,000) for earnings per share of 0.3p (1.1p) and again there is no interim dividend.

Mr Simon Sharp, chairman, said shareholders were aware of the change in ownership of the manager, Sumit Equity Ventures, and he believed the affiliation with Schroder Venture Advisers would enhance the quality of the dealflow.

Porth loss at £1.84m in unseasonal half

Porth Group, the USM-quoted Christmas decorations manufacturer, reported a deficit of £1.84m pre-tax in its seasonally unfavourable half year to June 30.

The outcome, which compared with losses of £1.82m at the same stage of 1991, was struck after exceptional charges of £292,000 (£105,000) to cover restructuring costs.

Turnover amounted to £2.76m (£2.47m). Interest payable, reflecting the proceeds of last year's rights issue, fell to £180,000 (£423,000).

Losses per share were reduced to 9.6p (20.76p).

EC requirement will lead to external audit of banks' interim figures

Changes to UK banking rules

By Robert Peston

UK BANKS will only be able to include half-year profits in their core capital resources, known as tier one capital, if their interim profits are verified by an external auditor, the Bank of England said yesterday.

Under internationally agreed rules, banks have to maintain a ratio of capital resources to assets – mostly loans – of at least 8 per cent.

The preservation of capital in this way is intended as a protection for depositors should a bank run into difficulties.

Of this 8 per cent ratio, at least 4 per cent must be in the form of tier one capital, principally equity.

In the past the Bank of England allowed profits of a UK bank to be included in tier one capital if the bank published an interim statement, whether or not the profits were verified by an auditor.

But from January 1 1993, a bank's auditor will have to review interim profits and pass judgment on whether they have been calculated reasonably and in accordance with UK accounting rules, if the bank wants to include the profits in tier one capital.

Banks were given this instruction yesterday in a notice sent out by the Bank of England, which said that the requirement stemmed from the provisions of the European Community Directive on Own Funds.

However, banks will not be required to carry out a full audit of their six months' figures. The Cadbury Committee's recent report on corporate governance suggested that UK companies audit their interim figures.

A bank can include interim profits in tier two capital, which is less precious to banks than tier one, if the interim results have been verified by the bank's internal audit department.

In the absence of any such verification, interim profits will be excluded from all calculations of a bank's capital.

Most of the big UK banks already ask their auditors to check interim figures. But smaller banks do this less frequently.

Bridon recovers to £0.7m but cuts interim

By Jane Fuller

BRIDON, the maker of rope and other engineered products, restored pre-tax profits to £700,000 in the first half of the year, but followed up the omission of its final dividend by halving the interim.

Turnover remained flat at £162.5m (£161.6m), but Mr David Allday, chief executive, said the underlying trend showed a 5 per cent fall. Weakness persisted in all the group's main markets: construction, mining, fishing and offshore oil and gas.

The pre-tax figure was a sevenfold improvement on last year's £100,000 and followed reduced exceptional costs of £500,000, compared with £2.7m, and interest charges of £2.2m (£2.3m).

Trading profit fell to £3.4m (£4.8m) after the main wire and wire rope division saw a slide to £1.3m (£3m). However, cost-cutting, including reducing the workforce from 5,400 in December 1990 to about 4,700 by last December, helped to restore profits compared with the second half of last year.

Last year's final dividend was cut to 1.5p (5.5p) after the group plunged into pre-tax losses of £3.6m.

Mr Allday said the interim dividend of 1.25p (2.5p) had been adjusted in line with last year's total reduction from 8p to 4p. The plan was to maintain the total at that level.

This was in spite of believing that market conditions were getting tougher and that turnover might be down by about £10m in the second half.

Some 45 per cent of Bridon's sales lie overseas, with the US accounting for nearly half. Losses increased at the US manufacturing subsidiary and the oil and gas-related distribution companies also had a poor six months.

In terms of exports, the group was selling £1m of goods a month to dollar-related areas, but the slide in the currency could cost £2m this year in trading profit. At $2 to the pound, he said, the group had to consider whether the business was worth doing.

In Italy, judicial investigations of corruption had led the construction industry to "grind to a halt". This was the biggest worry for the second half as interim trading results from Italy had turned from £150,000 profit to £250,000 loss.

The trading profit breakdown showed the rationalised fibre products division – mooring ropes and baler twine – more than doubling its contribution to £900,000; industrial textiles cutting losses to £100,000 and engineering making £1.3m (£1.7m), an improvement on last year's second half.

Earnings per share increased to 1.3p (0.2p).

Bad debts leave Bradford & Bingley lower

By David Barchard

BAD DEBTS on its residential mortgage book resulted in a sharp drop in interim profits at Bradford & Bingley, the seventh largest UK building society.

The pre-tax line for the six months to June 30 was £38.9m, down 27 per cent on last time's £52.9m. The bad debt charge rose from £6.9m to £25.7m.

Mr John Smith, finance director, said that just under half the bad debts came from loans made by Leamington Spa, the loss-making building society which Bradford & Bingley rescued a year ago, and the remainder from its own residential mortgage lending.

"The housing market is not making the recovery we all hoped for and these results reflect this fact," Mr Smith said.

During the half year, assets rose by 5 per cent to £12.5bn (£11.9bn); the figure was £9.84bn a year ago before the takeover of Leamington Spa.

Net operating profit before provisions rose by only 8 per cent, from £59.8m to £64.8m.

The society's loan book has grown to £10.1bn, against £7.91bn a year earlier and £9.53bn in December.

Non-interest income was up from £27.7m to £30.6m, of which £9.6m came from insurance income (up from £9.1m). Life-backed commissions were down, but income from Peps advanced 31 per cent. Retail deposits were £8.98bn, slightly up from £8.69bn at the end of 1991.

In July, the society issued £50m of permanent interest bearing shares, bring its Tier 1 capital ration to over 10.25 per cent, up from 9.52 per cent at the end of December.

Graseby down 10% as defence side falls

By Roland Rudd

A COLLAPSE in Graseby's defence earnings resulted in a 10 per cent fall in pre-tax profits for the half year to June 30.

The medical products and controls group, formerly known as Cambridge Electronic Industries, saw pre-tax profits fall from £5.1m to £4.6m on sales of £51m (£49.4m).

However, Tace, the environmental monitoring company, and Goring Kerr the instruments business, acquired earlier this year, partly offset the fall in defence earnings. The new businesses accounted for half of the group's pre-tax profits.

Defence, which last year contributed about 60 per cent of profits, accounted for less than 10 per cent. Mr Paul Lester, chief executive, said: "The fall-off in the defence market has resulted from the peace dividend. We did not expect its demise so quickly."

Graseby Security, the defence division which had been included in instruments, is now part of environmental and defence. That sector showed a fall in trading profits from £3.7m to £2m.

Instruments' trading profits rose from £24,000 to £2.45m because of a strong performance from Goring Kerr.

The medical business edged ahead to £1.58m (£1.56m).

In June the group bought 80 per cent of Intertest, which develops x-ray techniques to detect foreign bodies in foods, for £2.7m, as a bolt-on acquisition.

Mr Lester said he was planning to sell many of the smaller non-core businesses and property over the next 18 months which could raise about £20m.

Borrowings by the year end are expected to be about £20m, representing gearing of 70 per cent.

Earnings per share fell from 8.2p to 5.5p.

The interim dividend is maintained at 3.3p.

An extraordinary charge of £280,000 related to the costs of disposals.

Interest charges behind sharp fall at Wates

By Peter Pearse

Wates City of London, the property company which holds all its assets except one within the City core, reported a fall in pre-tax profits from £4.57m to £3.74m in the six months to June 30.

The downturn was the result of a £1.83m rise in interest charges to £3.25m, a figure struck after capitalising £1.2m of interest from the Queen St/Cheapside property. The interest rise reflected the £19m acquisition last August of 35, Basinghall St from Trafalgar House and the repayment of £5m of redeemable warrants.

The company said the annual £1.79m rental income on this property was the primary reason behind the 10 per cent rise in net rental income from £7.23m to £7.94m. There were no occupational leases due for review in the first half, but 52,300 net lettable sq ft – a property in Cheapside – were subject to an upwards only review in September.

Mr John Nettleton, finance director, said that Wates had recently noticed a pick-up in demand after the "silly offers" which followed the general election – companies were getting to the stage where they had to move. However, he also said that since Friday things were likely to revert to their former "crawling pace". The "over-stated" over-supply problem would now be compounded by worries over the D-Mark and interest rates, thereby affecting the investor market. He felt, however, that the tenant market was "relatively sure".

Debt stood at £95m (£63m), giving gearing of 52 (25) per cent. That excluded gearing on joint ventures. Earnings fell to 1.95p (2.36p) but the interim dividend is held at 0.77p.

Core business strength behind Mersey Docks' 40% advance

By Peter Pearse

THE MERSEY Docks and Harbour Company continued to progress in the first half of 1992, unveiling a 40 per cent pre-tax profits advance to £7.63m.

Unlike last time's outcome of £5.46m which included £218,000 from the company's property developments, the current result contained no such contribution, said Mr Bill Slater, chairman.

Instead, it reflected the strength of the core business, he said.

Turnover grew 44 per cent to £42m (£29.2m) enhanced by the inclusion of Merlin Stevedores, the general and bulk cargo handler, and Coastal Container Line, which trades to Belfast.

The cargo handled by the Port of Liverpool rose by 15 per cent, or almost 2m tonnes, to 13m tonnes.

Mr Slater said that the company was happy handling both imports and exports, and both full and empty containers – all contributed to turnover.

The company had increased its trade share (shippers were reducing the number of ports ships docked in, to MDH's advantage), and had secured new business, from the now closed Ellesmere Port and at the expense of ports in the south-east.

Mr Slater said that MDH had sold a minority stake in Coastal Container to Cawoods of Northern Ireland, which had closed its operation in Ellesmere Port and had transferred the trade to MDH's Royal Seaforth Container Terminal. This should add to MDH's Irish Sea trade.

The construction by PowerGen of the bulk coal terminal on MDH land at Gladstone Dock was proceeding.

Mr Slater said that up to 6m tonnes of coal a year should land in the port *en route* for Fiddler's Ferry power station.

Also, Liverpool Freeport has been expanded to include Birkenhead, thereby boosting bonded warehousing.

Earnings per share advanced only 16 per cent to 8.12p (6.99p) after a full tax charge.

The interim dividend is lifted 25 per cent to 2.5p.

The government still holds a 20 per cent stake in MDH.

Cowie buys 3% of Henlys

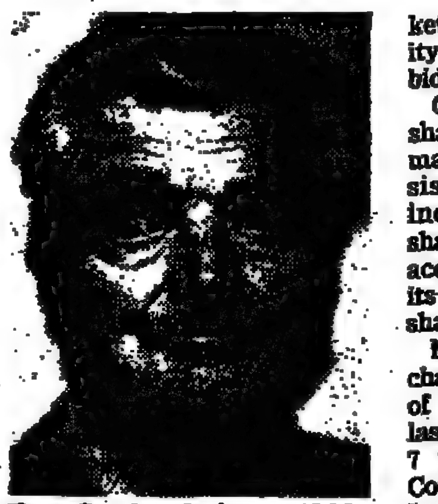
By Maggie Urry

T COWIE, the motor trader pursuing an aggressive bid for rival Henlys Group, yesterday went into the market to buy shares in its target.

Its brokers were bidding for shares at 73p and appear to have picked up 1.1m – 3 per cent of Henlys capital. Under takeover rules Cowie is allowed to buy up to 10 per cent without making a full cash offer.

Cowie's share price closed at 120p, up 1p, putting a value of 84p per share on its 7-for-10 share offer, valuing Henlys at £31.8m. The partial cash offer of one share plus 40p cash for two Henlys shares values them at 80p apiece and the company at £30.3m.

Henlys shares fell to 62p before Cowie started buying, and closed at 65p, down 2p on the day.



Tom Cowie, chairman: bid to close on Tuesday

The bid is due to close next Tuesday, but with a bank holiday on Monday, shareholders are expected to decide on the bid this week. The stock market price suggests that a majority will decide not to accept the bid.

Cowie has sent Henlys' shareholders a document summarising its case. It emphasised the improvement in income and capital value shareholders would get if they accepted. Henlys summarised its case in a document sent to shareholders last week.

Mr David Matthews, former chairman and chief executive of Henlys who left the group last November, is pledging his 7 per cent shareholding to Cowie. Mr Matthews is keen to buy Henlys coach and bus business. He said he would merge it with another UK bus manufacturer and rationalise the business.

However, some of Henlys institutional shareholders have indicated that they will not accept the offer.

Trimoco forecasts interim profit

By Jane Fuller

TRIMOCO, the motor group fighting a £25.9m bid from its rival Hartwell, has accused its challenger of reneging on an agreement to reduce its stake in the company.

It has also forecast that it would make a pre-tax profit of not less than £1.2m for the six months to September 30, compared with a £250,000 loss, and said that the total 1992-93 dividend would be maintained at 1p.

Hartwell is owned by the Jameel family, and the cash bid of 17½p a share was triggered when the Jameel interest in Trimoco rose from 29.8 to 39.4 per cent after the conversion of loan stock.

The target's share price closed at 18½p yesterday.

Mr Roger Smith, Trimoco's chairman, said that Mr John Wei, Hartwell's chairman and chief executive, and Mr Mahmoud Abdulla were both invited on to Trimoco's board in January this year when Hartwell's stake stood at 23.5 per cent.

In Trimoco's defence document, published yesterday, Mr Smith says that the board appointments were made on the basis that "the Jameel Group would reduce its shareholding in the company".

He said the background to the discussions included Ford of Britain's dealership rules. These say that if one group holds more than a 10 per cent stake in another, Ford looks at the combined number of dealerships to see whether the maximum of eight is being exceeded. The total for these two groups is 12.

Mr Wei said that although discussions had taken place, there was no agreement and called on Trimoco to prove that there was one. He said the bid was a technical one, complying with the Takeover Code – which had also set the price.

Ford said its agreement with Hartwell was the same as with every other franchisee. As Hartwell had a stake of more than 10 per cent in Trimoco, it would expect it to shed either dealerships or shares to bring it down below one or other of the limits.

Hartwell's defence document also said the bid price was at a 20 per cent discount to net asset value and that it had a pension surplus of £8.8m, equivalent to 6p a share.

The bid undervalued the company, contained no premium for control and would deny shareholders the benefit of Trimoco's future performance.

L&M cuts losses and bankers extend loans

By Vanessa Houlder, Property Correspondent

LONDON & Metropolitan, a property company with negative net worth of £44m, yesterday announced that its banks had agreed to extend their loans for another year.

The company, which has debts of £129m, incurred pre-tax losses of £26m for 1991. That compared with £100.3m in 1990, when losses were increased by £88.9m of provisions against falling property values and the collapse of a consortium that had planned to buy London's County Hall.

Its plunge into loss precipitated a financial restructuring in March 1991, when banks accepted warrants in return for injecting new working capital into the company, converting unsecured debt into five year debt and extending their secured debt until June 30 1992.

This debt and the working capital facilities have been further extended until June 1993 by the company's dozen banks.

Mr Chris Harris, chairman and managing director, said he believed the company's future was secure.

"There is arguably very little to be gained by putting the company into receivership," he said.

Instead of merely winding the company down, L&M was engaged in long term projects such as its golf course development in the south of France, he said. The group has recently signed a joint venture agreement with Pierre et Vacances, a resort group, for the project's development.

L&M's development in progress is valued at £75m, while its investment programme is worth £22m. The group's accounts will be qualified by its auditors as they were prepared on a going concern basis.

The operating loss increased from £9.28m to £13.7m, while interest payable increased from £8.38m to £12.7m.

Last year, the company sold 18 properties for £26m. It made new provisions of £6m, half of which related to an unlet office building in St John Street, in London.

At the end of the year, shareholders had negative equity of £40m compared with £21m a year earlier.

Losses per share fell from 171.9p to 44.3p.

Gibbs Mew rejects £11m Brierley Invs bid

By Peter Pearse

Brierley Investments Limited has announced a 200p per share offer for the 80.3 per cent of Gibbs Mew that its BIL Securities (Far East) subsidiary does not already own.

The offer values the Salisbury-based brewer and commercial property company at about £11m. Its shares closed up 15p at 198p.

Gibbs Mew is a family-run business. Some 59 per cent of the shares are owned by the Gibbs family and the directors, whose response was terse: "The board of Gibbs Mew has no hesitation in unanimously rejecting this unwelcome offer which it believes significantly undervalues Gibbs Mew's assets and prospects."

Mr Stephen Bellamy of BIL, which first bought Gibbs shares in 1987 and lifted its stake to 19.7 per cent two months ago, said the aim was to gain control of Gibbs Mew.

BIL wanted to strengthen the management team and use its greater financial resources to exploit the potential of the target. Otherwise "the independent shareholders would have a long wait for the family to get it right".

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Amicable Smaller Ent. Tst, Daniels (S), Friendly Hotels, Irish Continental, Latin American Inv Tst, Mallett, Slough Estates, Storm, Wace.

Finals- Guardian Royal Exchange, Nevis Intl, Smith (WH).

FUTURE DATES

Interims-	
American Trust	Sep. 2
Arjo Wiggins Appleton	Sep. 15
Arnotts	Aug. 27
British Vita	Sep. 7
Burford	Sep. 7
Burmah Castrol	Sep. 3
Calabread Robey	Sep. 2
Calderburn	Sep. 7
Coats Viyella	Sep. 10
CRH	Sep. 2
Cussins Property	Sep. 2
Gibbs & Dandy	Sep. 4
Grafton	Sep. 2
Inishtech	Aug. 27
Jourdan (Thomas)	Sep. 3
Laing (John)	Sep. 10
Legal & General	Sep. 17
MS-Carsalon	Sep. 15
P&O	Sep. 9
Pearson	Sep. 3
Pentos	Sep. 3
Serco	Sep. 2
Singer & Friedlander	Sep. 3
Stag Furniture	Sep. 15
TLS Range	Sep. 10
Torday & Carlisle	Sep. 1
Trinity Intl	Sep. 15
Finals-	
Flogas	Sep. 1
Haggas (John)	Sep. 15
Hong Kong Inv Trust	Sep. 4
Isotron	Sep. 3
Primadona	Aug. 27
Birder	Sep. 30
Stewart Zigomala	Aug. 25
Walker (Thomas)	Sep. 17

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corresponding dividend	Total for year	Total last year
Bridon	int	1.25	Jan 8	2.5	-	4
British Gas	int	6.4	Dec 16	4.25	-	10.25
Cook (DC) §	fin	0.3	Oct 20	1	0.5	1
Darby §	fin	0.8	Nov 16	2.1	2	3.3
EFT	int	0.4	Oct 30	0.33	-	1.1
Graseby	int	3.3†	Nov 3	3.3	-	10.9
Kerry	int	0.79♣	Nov 20	0.75	-	2.15
Mersey Docks	int	2.5	Nov 3	2	-	6
River & Merc	fin	2.65	Oct 28	2.5	3.9	3.75‡
TR Euro Growth	fin	1.35	Oct 30	1	1.35	1‡‡
Wates	int	0.77	Oct 30	0.77	-	3.73

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ♣Irish pence. ‡‡Excludes special of 1.5p. ‡Excludes special of 0.37p.

MANAGEMENT

Richard Tomkins looks at Eurotunnel's preparations for turning itself into a railway operator

Mist at the end of the tunnel

You can picture the scene. It is an autumn morning in 1993 and the first Eurotunnel shuttles ever to pass under the Channel in public service are about to set off from the terminals on the British and French coasts, jammed to the gunwhales with dignitaries.

At precisely 11.00, the starting signal is given, the train doors whoosh shut, the crowds let out a cheer, and . . . nothing happens. There has been a points failure somewhere in the tunnel, the signals have turned to red, and the shuttle trains are left stuck in the platforms as the embarrassment remorselessly mounts.

Of course, it will never happen. And yet . . . could it? What is to say that Eurotunnel will turn out to be any good at running trains if and when the tunnel opens, as scheduled, late next year?

If anything, the odds look stacked against it. After all, Eurotunnel's main purpose until now has been financing and managing one of the world's biggest construction projects. The management skills appropriate to that task appear to have little in common with those needed to run a railway. Sometime between now and the tunnel's opening the company must undergo an extraordinary transformation.

Eurotunnel, inevitably, sees things rather differently. It is wrong, it says, to imagine a day when the project team finishes its work, walks out the gates, and hands over the keys to a bunch of newly-recruited railway operatives with a cheery: "Bonne chance, mes braves."

In fact, transport already forms one of the three prongs of Eurotunnel's organisational structure, alongside project management and finance. In staffing terms, it is also very large, accounting for nearly half the company's 1,000 employees.

Making tracks: An artist's impression of the Eurotunnel shuttle, due to begin operations next year. It will need 2,000 people to operate, maintain and sell its services

Head of transport is Alain Bertrand, managing director, operations. Formerly manager of the south-east region of SNCF, the French national railway, he joined Eurotunnel in January 1987.

Bertrand's first task was to form a small group of people with transport experience to advise the project team on the suitability of the transport systems they were devising, both from an operational and a commercial point of view.

Since then, as the tunnel's opening date has grown nearer, so has the need to recruit the people who are going to manage the operation of the shuttle trains, the terminals, the signalling and the tracks; and in parallel, those who are going to market the shuttle services to the public.

Like Bertrand, many of the most senior transport managers – half of them English, half French – come directly from the transport industry. Peter Dyke, operations director, comes from BAA, the former British Airports Authority; André Pascal, engineering director, comes from RATP, the Paris transport authority; and Christopher Garnett, commercial director, comes from Sealink Stena Line, the cross-Channel ferry operator.

Below them, the recruitment sources vary. Some people are coming from outside, but others – for example, signal engineers, track engineers, cable engineers and communications engineers – are transferring from Eurotunnel's project team, where they are currently overseeing the installation of the transport systems by Transmanche-Link, the contractors.

One obvious benefit of recruiting from this source is that the people who install the systems know them inside out. As Bertrand puts it, if he has any trouble with his signalling system, he will turn to his chief signalling engineer and say: "Look, you procured this thing. Now sort it out."

Other recruits are coming from TML itself. For example, many of the highly-skilled mechanical and electrical engineers formerly employed on TML's tunnel-boring machines have transferred to Eurotunnel's transport division. And when work on the tunnel is finished, a large proportion of Eurotunnel's 300 shuttle train drivers will be recruited from among the drivers of TML's works trains.

So a good deal of expertise has been lined up for the transport team. Even so, there is still a long way to go before recruitment is complete. By the time the transport system opens next year, some 2,000 people will be needed to operate it, maintain it and sell its services.

"What we have here," says Bertrand, "is a nucleus of operators – the people who will start the commissioning and testing of the systems. As for the rank and file – the people who will take your money at the toll booths, the train crews and so on – it would be completely silly to recruit them now. But their supervisors are here, because they are the ones who are drafting the procedures, who are familiarising themselves with the equipment and with the method of operation; and they will recruit their people when the time comes."

The trick for Eurotunnel is to get the timing right. It has to be sure that enough fully-trained people are in place to run the system when it opens; but on the other hand, it does not want people standing idle in the run-up to the opening.

According to Bertrand, this need not happen. The build-up to the full complement will be a gradual process. As more people are taken on, they will be fully employed learning procedures and undergoing training (in use of the French language, as well as technical matters). As the opening date draws closer and delivery of the shuttle trains begins, they will start testing and commissioning the equipment.

By the time the tunnel opens to the public, it will have been tested for months, with employees running the shuttles as ghost trains or acting as surrogate passengers. Theoretically, at least, most of the technical faults should by then have been eradicated. In any event, the pressure will be relatively light at first because delays to the opening of the tunnel have pushed the opening date into the low season.

The danger is that once the tunnel has gone smoothly into public service, the skilled people will become bored and wander off. Bertrand plays down the risk: there will be enough people like himself, he says, who have witnessed the project's birth and want to see it through its years of infancy.

And what of Eurotunnel's chief executive, Alastair Morton? He says it will be down to Bertrand to run the transport operation. "I'm neither a retailer nor a transportation operator nor a service company manager," he says.

"I've undertaken to see the tunnel through any start-up difficulties before I go, but only as the chairman of the executive committee of the board: in other words, in a full-time executive role, but in the boardroom rather than in day-to-day management."

Once the tunnel is over its start-up difficulties, he says – in 1994 or 1995 – he envisages stepping down to a non-executive role. And after that: "I'll be taking a very long holiday – if I live that long."

The pop star lifestyle of a busy banker

David Waller scans the diary of a Deutsche Bank boss

In Germany there are few more prestigious jobs than being a main board director – a Vorstand – of one of the big banks. Most prestigious of all is to be a Vorstand of the Deutsche Bank, Germany's largest bank.

There are thirteen of these individuals, who tower above the German business establishment, and sit on the supervisory boards of its largest industrial companies.

In Germany they are treated like pop stars. When they appear in public together they are mobbed by photographers. When they go abroad, they go as unofficial ambassadors for Germany, living symbols of its post-war economic success.

Getting to meet a Deutsche Bank Vorstand can be difficult. Rolf Breuer, 54-year-old head of securities and asset management at the bank and a Vorstand since 1985, says his diary is booked up until early 1994, meetings scheduled for every hour of every working day, from 8.30 am to 7 pm.

How does he manage his workload? He sits on the board of around 60 companies. He is responsible for the bank's securities activities, and for its business in the Stuttgart region and in the Near and Middle East. He also finds time to promote Finanzplatz Deutschland – Germany as a financial centre, to sit on a committee for comic opera, and he is treasurer of the International Bach Academy in Stuttgart.

His personal staff consists of only five people – two secretaries, two personal assistants and a chauffeur. Pre-planning is what allows him to cope with the workload:

"You have to rely on your associates," he says, "you can't do all these things in too much detail. That isn't your job – what you should do is organise your work in advance so that you can be sure that things are under your control."

Breuer's commitments can be mapped out well in advance. Every Tuesday the Deutsche Bank holds a board meeting at which the bank decides on its strategy. The dates of the board meetings of the 60 or so companies with which Breuer is associated can also be inked into the diary months ahead of time. Likewise with overseas visits and official functions.

It is the job of his two secretaries to help Breuer with the unexpected: shuffling his commitments. Weekdays can always be expanded by meeting over breakfast or dinner, although often several evenings a week are taken up with functions.

He reserves one day of the weekend for office work, preparing himself for the Tuesday board meeting, but also coping with what could not be dealt with during the week.

His commitment to work is total. During the four weeks holiday he takes every year he reads the Financial Times and the Frankfurter Allgemeine Zeitung and remains in touch with the office.

Although he has one free day a week when he plays golf with friends who have nothing to do with the bank, he says he never switches off. "Unfortunately I am always contactable," he says, "much to the distress of my wife".

Given the magnitude of the job, there is little scope for private life. What there is of it is circumscribed by the need for tight security, a need brought home to Breuer and colleagues in December 1989 when Alfred Herrhausen, the bank's visionary chief executive, was assassinated by terrorists.

Unlike some senior German businessmen, Breuer is not himself armed, but his bodyguards are. His house is watched by guards and protected by sophisticated electronic surveillance equipment.

"Of course the family suffers," Breuer admits. "I do not have enough time for my family. I can't help this – and fortunately they are nice enough not to mind."

Ironically, for a job which requires so much planning, Breuer counsels that it is impossible to plan to get on to the main board.

"If you start at the bottom of an organisation you can make a calculation about what sort of level you are likely to reach through being ambitious and capable," he says.

"To make it further than that you need a lot of luck. If you happen to be the right age when a vacancy on the main board comes along, then you might get the job. By the time you are fifty, you are too old, no matter how good you are."

People, Page 19

Rolf Breuer, Deutsche Bank

BUSINESS AND THE ENVIRONMENT

Courting the agents of change

Is environmental improvement really worth the effort for business? Frequently not. It is expensive, tiresome and does little in the way of immediate returns. Yet given that environmental improvement is a fact of life – even a condition of business – most companies will have to come to terms with it in the end. The challenge is in finding the commercially most suitable way forward.

A management report* from the Centre for Exploitation of Science and Technology (Cest), the government and industry-funded research group, looks at these questions in a constructive light.

It addresses many of the problems which inhibit businesses when it comes to dealing with environmental matters.

Cest's experience has shown that environmental opportunities are usually not obvious to those who might gain. The reasons are:

- A wider range of stakeholders need to be involved in exploiting the opportunity than most companies are used to: for example, public interest groups.
- The payback often comes in the medium term, and commitment cannot be justified solely against short-term objectives.
- Companies have to interact with different constituencies in order to generate the necessary understanding and influence.

Cest's answer is that businesses should look for opportunities in the growth of environmental concerns, and should reduce their own uncertainties by getting to know – and trying to influence – agents of change.

Companies must also appreciate the growing role that new technologies will play, and learn to understand that there are social values and processes at work, which they will have to take into account.

As purchasers of materials, disposers of waste and manufacturers of products with potential environmental liabilities, they must build systematic relationships with other companies.

David Lascelles

**Environmental Opportunities: Creating Benefit out of Uncertainty. £60. Cest, 5 Berners Road, London N1. Tel: (071) 354 9942.*

Haig Simonian describes the furore surrounding one of the world's most famous quarries

Everyone's losing their marbles

In the marble quarries high above Carrara in Tuscany, where Michelangelo chose the slabs for his future masterpieces, an almighty row has broken out. Like hundreds of other squabbles between industry and environmentalists, it has driven a wedge between those concerned about pollution and the landscape and others more preoccupied with profits and peoples' livelihoods.

But the battle between the marble quarriers of Carrara, on whom the town's economy largely depends, and the local council, supported by the Tuscan regional administration, cuts much deeper than the gashes in the mountains from which marble has been extracted over the centuries and which are now at the heart of the rumpus.

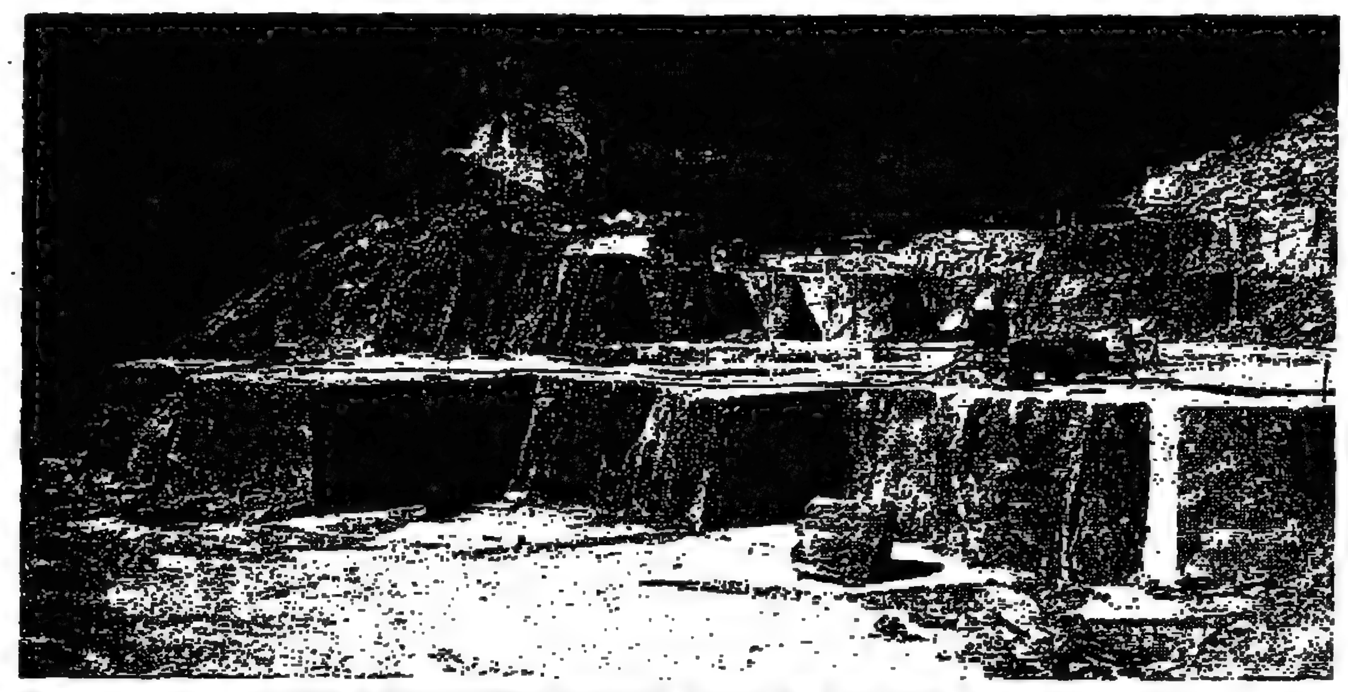
Under plans to develop the local Apuan park, the name for the area which covers the mountains above Carrara and embraces most of the quarries, industrialists fear their businesses are at risk. Three high-altitude quarries have already closed owing to the enforcement of rules banning excavation above 1,200 metres. More could follow, they warn.

For many locals, not just in the marble business, the quarries, sawmills and associated processing facilities which dominate the landscape are more intrinisic to Carrara, its history and surroundings, than any attempts to set up an industry-free zone in the hills. But for others, the park represents the first serious attempt by the authorities to check the unbridled expansion of the quarries since their origins.

The business of quarrying the lightly grained white stone, for which Carrara is famous, has certainly left its mark. From a distance, especially in winter, visitors regularly mistake the huge white gashes along the local stretch of the Appenines, for snow. Only when they approach on roads like the narrow, twisty lane which leads up to the village of Colonnata above Carrara, do they realise that what they are seeing are vast white slices gorged out of the face of the rock.

Elsewhere, the quarrying is less immediately striking, as at the disused workings which litter the area. Often, they are all that is left of centuries of labour cutting hundreds of feet into the mountain, only to be abandoned when a vein has run out, or the stone has become too difficult to extract commercially. All around are piles of debris, testifying to the fact that often less than 10 per cent of the stone extracted is suitable for sale.

For Simonetta Cattani Lazzareschi, head of the Carrara Industrialists' Association, the quarries are a thing of beauty. "Look," she says, pointing to the workings above the churchyard at Colonnata, "have you ever seen anything so splendid?"



From a distance, especially in winter, visitors regularly mistake the huge white gashes for snow

Lazzareschi, the only woman to head an Industrialists' Association in Italy, is not a lady to be crossed in a hurry. Her strong features betray the traits of the Greek and Arab craftsmen who, she says, were first brought into the region by the Romans to work the stone.

Perceptions of beauty are somewhat different at Carrara town hall, where Alberto Pincione is mayor. The marble-cladding of the modern, two-storey building highlights the trade's importance for the town, especially now that so much of the heavy public-sector industry brought into the area by Mussolini in the late 1920s has closed down, leaving 6,000 unemployed.

"No one wants to close the quarries," he says. "But they have to observe the rules on protecting the landscape and maintaining safety standards".

Both are touchy subjects within the left-leaning council, dominated until recently by the Communist Party. "There have been 44 deaths in the quarries since 1977, and almost as many serious injuries," says Vittorio Prayer, a local journalist. His fingers quickly find the page in a specialised medical magazine on industrial injuries showing a gruesome colour photograph of a huge marble block, one side spattered with blood.

The quarrel now raging over the implications of the park is as complex as might be expected in a one-industry town, where the trade is dominated by a handful of aggressively independent entrepreneurial families which have, until recently, been left largely to themselves.

'Do you really call what has been done to the hillsides beautiful? It would not be allowed elsewhere in Europe'

The quarriers claim the park, first mooted in 1975, poses a more serious threat to their livelihoods than even the depression of the late 1920s, which prompted Mussolini to develop many of the now defunct alternative sources of employment in the region.

Since then, the number of people working in the quarries has fallen as new technology has replaced manual labour and the highly fragmented quarries have been rationalised into the hands of relatively few families and big companies.

Only about 1,900 people now work in quarrying, compared with around 14,000 at the beginning of the century. However, Lazzareschi reckons about 1,000 jobs hang on every one occupied in the mountains. The figure may sound fanciful, but marble and its associated trades are big business in Carrara, which has 600 lorry drivers alone.

The valleys and plain below the city echo to the repetitive grinding of hundreds of sawmills operating around the clock to cut huge blocks of marble into thin slices for cladding skyscrapers, making table tops and even gravestones. Around a quarter of the world's stone cutting facilites are in Carrara, according to the Industrialists' Association.

The quarry owners fear that if the park one day receives national, rather than regional, status, all quarrying will have to stop. "The rules governing national parks in Italy prohibit excavation," says Lazzareschi. "Given the poor financial state of the Tuscany region, the authorities are bound to try to shift the burden for the park to the state. That means we would close."

The demise of quarrying would also threaten the substantial tourist business which has developed in its wake. The quarries and exposed peaks may not be aesthetically appealing to all, but they are often breathtaking and stand as historical monuments in their own right.

"Closure is crazy. It would put us all out of business," says Vannucci Venanzio, the owner of a small restaurant in Colonnata that lives off the marble and tourist trades. "Around 20 coaches a day come up here in summer. Tourists don't come here to see trees and a bit of grass, they can see that anywhere."

But according to Pincione: "No one is talking about closing anything. But do you really call what has been done to the hillsides beautiful? It wouldn't be allowed elsewhere in Europe." Under present rules, the quarry-owners have almost free rein over their sites, for which they pay a token rent, under concessions dating back to 1751.

The council, which will this year make around L4.2bn (£2m) from a special tax on the amount of stone quarried, sees its role in enforcing the environmental and safety rules which have been introduced since the 1980s but not always observed. "Theoretically, the quarries should follow precise rules on how they cut into a hillside, not to change its shape without permission. And there should be regulations on cleaning up afterwards," says Prayer. The briefest visit to the region demonstrates otherwise.

The park, which advanced one step further last month with the appointment of a new management board, has now become the focal point for the wider dispute over future regulation. Although not yet a threat, its creation and the likely rise in bureaucracy it will entail could obstruct the quarries' expansion, particularly now that new stone-cutting technology has vastly accelerated the rate at which they can excavate.

Meawnhile, the underlying issue of exerting control over an industry which is of immense economic and cultural importance to the region but which may have grown accustomed to being left to itself in the past, remains unresolved.

"Environmental legislation has increased steadily," says one resident, who has followed the growing conflict closely. "And rules now cover every part of the business, including the sawmills, which pollute local rivers with marble powder and other chemicals for treating and polishing stone."

Behind the fighting talk on both sides, there is undoubtedly room for compromise. It is almost inconceivable that anyone on Carrara's council would dream of closing the quarries, on which the town so heavily relies. Nor are the quarry owners quite the shameless exploiters some of their critics claim. But so far, their positions have not met.

Japan's electric rubbish

The hum of electric rubbish trucks is becoming a familiar sound to the residents of Yokohama, south of Tokyo. There are only four of them at the moment, but the city council's environment bureau hopes to raise the number to 30 before long.

What is unusual about the trucks is that their batteries are charged up using power generated by the incineration plant to which they deliver their rubbish.

The plant, one of five large incinerators which consume Yokohama's vast rubbish output, uses its heat to drive a 12MW steam turbine. (Some electricity also goes to run a nearby old people's home and the remainder is sold to the local electric utility.)

The trucks themselves have the capacity to carry 1.75 tonnes of rubbish. But the drawback is the batteries. Each truck has 26 of them weighing the better part of a tonne, and until the weight can be brought down there is a limit to the trucks' possibilities, according to Hiromasa Hayashi, who is in charge of development.

The Hokubu incinerator plant was designed to be as self-contained and environment-friendly as possible.

The main plant is almost completely air-tight. The only large entrance – the one through which the rubbish trucks come and go – is also the air intake for the furnaces. A constant inrush of air prevents unpleasant smells from escaping.

The main chamber is a vast space-age hall with grabber cranes which load rubbish into the three furnaces.

The ash produced at the other end is used for land reclamation in the harbour. The stack is subject to strict emission controls.

Hokubu processes 1m tonnes of rubbish a year and employs 98 workers. The plant is only eight years old, but Suzumu Ichinokawa, the plant manager, doubts that the council would be able to site any more plants close to the city, despite all the efforts to make them acceptable.

"It's very hard to get such plants built now because local people don't like them," he explains

David Lascelles

COMMODITIES AND AGRICULTURE

Indonesia set to climb copper output league

By Kenneth Gooding, Mining Correspondent

INDONESIA WILL be catapulted into third place among the western world copper producers by a US$545m scheme to boost annual output at the Ertzberg-Grasberg mines in the highlands of Irian Jaya to 1bn lb or 454,000 tonnes.

Not only will the mines produce more than 6 per cent of the world's mined copper requirements, the project will also place Freeport McMoRan Copper and Gold, which owns them, among the very few companies with gold output above 1m troy ounces a year. The expansion will boost gold production to between 1.2m and 1.5m troy ounces.

Freeport said yesterday the project would be completed by the middle of 1996 and, as its cash reserves would be about $400m by the end of this year, it would mainly be financed from its own resources.

The Ertzberg-Grasberg mines have been under constant expansion since 1989. A $504m scheme which lifted ore processed from 20,000 to 57,000 tonnes a day had scarcely been completed before a further expansion to 66,000 tonnes was announced. The Indonesian company, which is 74.2 per cent owned by Freeport McMoRan, the New Orleans-based natural resources group, said yesterday that the expansion to 66,000 tonnes should be completed in the second half of 1993 at a cost of $90m.

The cost of the proposed expansion to 90,000 tonnes of ore a day does not not include about $175m for infrastructure work because Freeport expects to sell some of the houses and shops to be included.

Mr George Mealey, president of Freeport Copper, said that based on present reserves, the mines would have a 23-year life at a 90,000 tonnes-a-day rate. However, an aggressive exploration programme is continuing and the company expected to find much more copper and gold nearby.

The expansion programme still has to be approved by the Indonesian government and is subject to an environmental impact assessment. However, if it is completed, it will put Indonesia ahead of Zambia, which mined about 423,000 tonnes of copper last year, as the world's third-largest producer (but still well behind Chile, 1.8m tonnes, and the US, 1.7m tonnes).

LME WAREHOUSE STOCKS (As at Monday's close) tonnes		
Aluminium	-2,900	to 1,336,500
Copper	+650	to 262,975
Lead	+2,775	to 153,325
Nickel	+228	to 42,980
Zinc	-450	to 347,675
Tin	-85	to 14,585

Drought decimates Romanian harvest

By Virginia Marsh in Bucharest

THE WORST drought since 1947 has hit key Romanian agricultural areas, threatening a shortfall of 2.5m tonnes of wheat. The government believes it can ensure supplies only until the end of January.

Mr Petre Marculescu, the minister of agriculture has refused to disclose crop estimates, but admits that 38 per cent of the maize crop has already been affected and has declared crop calamities in Constanta and Tulcea, two of the country's most fertile counties.

The drought could hardly come at a worse time. With Romanian agriculture severely dislocated by the transition to a market economy and plantings of barley and wheat well down on last year, Romania was already set to import record amounts of grain. By the end of June, the country, which prior to communist rule was one of Europe's richest agricultural nations, had already imported 1.16m tonnes of wheat.

Bread shortages are already evident. In four counties in the north and west, rationing has begun, while in many regional towns long queues have developed outside private shops despite prices three or four times higher than in the state sector.

The shortages, coupled with rising unemployment, are adding to growing tension ahead of next month's general election, causing the government to rethink a second round of subsidy cuts on basic foods and electricity agreed with the International Monetary Fund as part of the country's economic reforms and due on September 1

With an austerity budget in place and currency reserves low the country is likely to have major difficulties paying for additional food imports through the winter months.

● A month-long drought has seriously affected 11m hectares (27m acres) of crops in South China and reduced drinking water supplies for 20m people, the official Farmers Daily said.

Rainfall in parts of South China is as much as 90 per cent below normal, it said.

The drought extends through almost every one of the country's major grain producers, affecting even Sichuan and Guizhou in the south-west. The daily said there was some hope of a little rain in part of the affected area in the near future.

US tariff deal revives Mexican sugar hopes

An effective common market should give a tremendous boost, writes Damian Fraser

MEXICO AND the US have agreed to form an effective common market in the sugar sector, which should be a tremendous boost to Mexico's ailing sugar sector but worrying news for present exporters to the US.

The as yet undisclosed policy change forms part of the completed text of the North American Free trade Agreement, which negotiators have concluded but still has to be approved by the US congress. The US has agreed to allow Mexico unlimited access to its sugar market after 15 years; Mexico in return has promised to set the same tariff on sugar imports as the US by the sixth year.

While Mexico has made no explicit commitment to co-ordinate its tariff-free quotas of sugar imports with the US, the spirit of the agreement is that sugar producers in Mexico will face same prices as in the US. Mexico will manage quotas to ensure this happens smoothly, says one official involved in the negotiations. The only debate in Mexico is whether prices should be encouraged to converge in the first or sixth year.

In the US raw sugar sells for 21 to 22 cents a lb, compared with 17 to 18 cents in Mexico.

Under the terms of Nafta Mexico is promised its current quota of 7,258 tonnes in the first six years, or 25,000 tonnes if it is a net exporter in two successive years. In the seventh year the quota is increased to 150,000 tonnes, to increase by 10 per cent annually until the 15th year, when all controls are to be eliminated. If Mexico is a net exporter for two successive years after the seventh year, the quota is removed. The tariff quota of 16 cents a lb is reduced by 15 per cent over the first six years, and then to zero over the next nine.

Mr Julio Escandon of the consultancy Eximco, who represented the Mexican sugar private sector in the negotiations, says that by raising domestic sugar prices, Nafta will encourage Mexico to become a net sugar exporter once again.

Next year he expects sugar production to be 3.7m tonnes, compared with consumption in 1992 of 4.2m tonnes. But, he says, with US prices, Mexico could be producing 4.5m tonnes a year within three years.

The relatively liberal – sugar producers say anarchic – import policy of the Mexican government explains part, although not all, of the dire situation of the sugar producers and the recent decline in production. The Mexican government and sugar traders imported about 2.6m tonnes in 1990 and 1991, while the domestic sugar deficit was just 1.2m tonnes over the same period.

Mr Jose Pinto, who manages four sugar mills, shares Mr Escandon's optimism, describing Nafta as "an opportunity for Mexico to be a large producer of sugar in the medium term, if domestic sugar policy is correct."

Higher sugar prices will let Mexico's sugar mill owners earn profits to invest in upgrading technology, and encourage farmers to turn land over to sugar cane production. The stability and security offered by Nafta will encourage long-term investment hitherto put off by uncertainty and the gyrations of government policy over past years.

Mexico relies exclusively on sugar-cane rather than sugar beet, has a perfect tropical climate in parts and wages about a tenth of those in the US – all of which makes it a much more efficient producer of sugar than its highly protected northern neighbour. In ten years Mr Pinto reckons Mexico's production could be 6m tonnes.

Mexico was a net sugar exporter from 1954 to 1975, and from 1985 to 1988. But in 1989 the government began to privatise the sugar mills, almost all of which it owned, and simultaneously to dismantle the protection offered to the heavily-undercapitalised industry. On top of that, two corrupt officials in the government sugar agency imported massive amounts of sugar and, by fiddling the invoices, walked off with a small fortune. A warrant has been issued for their arrest but they are still at large.

The result has been huge losses among sugar mill owners – one reason why the Mexican government was so quick to embrace the protectionist terms of the Nafta text on sugar.

If the industry recovers to become a net exporter the first to suffer will be other countries that export to the US. At present the US imports about 1.5m tonnes of its sugar, but were Mexico to fill this gap the quota offered to other countries would have to fall. For political reasons the US would probably spare the Caribbean from cuts, but more distant producers might lose out.

In the longer term, US sugar producers could also suffer. If Mexico becomes a net exporter sugar prices in the US are likely to fall as North American production outstrips demand. In this case the marginal producers in the North American market, that is the inefficient US mills, would have to close.

Norway's PM seeks tough carbon taxes

By Karen Fossli in Stavanger

TOUGH CARBON taxes to protect the environment were called for yesterday by the Norwegian prime minister.

"They may not be popular, but they are necessary," Mrs Gro Harlem Bruntland told the biennial Offshore Northern Seas oil and gas conference in Stavanger.

Carbon dioxide emissions from the burning of fossil fuels are responsible for the so-called greenhouse effect, which scientists say causes global warming and threatens the flooding of coastal areas.

Norway, which produces more than 2m barrels of oil per day, has responded to this threat by introducing carbon taxes which have made its petrol among the dearest in the world. But other oil producing countries have claimed such taxes only contribute to the state revenues of rich, oil-consuming countries while reducing the earnings of developing countries dependent on oil exports.

Environmental legislation was one of the imponderables that Mr David Simon, BP group chief executive and deputy chairman, told the conference were threatening further destabilisation of the oil sector. Others were dissatisfaction within the Organisation of Petroleum Exporting Countries with the current quota system and a desire among those countries to expand downstream operations and to reintegrate production and distribution.

The oil industry would be forced to respond to new instability and change in order to restore profitability so as to attract fresh capital from investors, he said. It would have to find ways of absorbing operations costs and expanding profit margins to justify continued investment.

Papua New Guinea gold mine to reopen

By Kevin Brown in Sydney

THE TROUBLED alluvial gold mine at Mount Kare in Papua New Guinea is to reopen following the completeion of a deal between CRA, the majority shareholder, and Placer Pacific, operator of the nearby Porgera mine.

Mount Kare, located in PNG's rugged highlands, was closed in January after an attack by gunmen who destroyed equipment and caused damage estimated at more than US$1m.

Placer Pacific said that Placer Niugini, its Papua New Guinean subsidiary, would operate the Mount Kare mine on behalf of CRA, which owns 51 per cent of the alluvial rights, and local landowners, who own 49 per cent. CRA will lend about $1.5m to finance the recommencement of mining, it added.

The deal replaces an earlier agreement under which CRA planned to sell all but 12.75 per cent of the alluvial rights and 25 per cent of its hard rock prospecting rights in the surrounding area.

Placer said that the first gold from the reopened mine would be produced in early September. It expected Placer to take about three months to bring the mine back to full production.

Mt Kare is capable of producing up to 25,000 troy ounces of gold a year from alluvial mining, compared with more than 1m ounces a year at Porgera, one of Papua New Guinea's biggest mines.

● The Australian government yesterday cleared the way for development to go ahead at an A$290m (£104m) zinc, lead and silver mine planned by MIM at Macarthur River in the Northern Territory.

The Macarthur River scheme is the first major project to be processed through a fast-track approval procedure introduced by the government earlier this year to shorten the lead time between the discovery and development of mineral deposits.

Mr Laurie Brereton, parliamentary secretary to the prime minister, said the mine had been approved on the recommendation of the Foreign Investment Review Board, following a review of proposed participation by four Japanese companies.

Mr Brereton said that the approval represented a "showpiece for what the new facilitation arrangements are all about". The government also said that it would fast-track proposals put forward by Zapotan for a gold mine at Mount Todd in the Northern Territory.

Canadian output forecast to fall by 8%

By Kenneth Gooding

CANADA'S GOLD production will fall by about 8 per cent this year from the record level in 1991, the first drop in output for six years, suggests Metals Economics Group, the Halifax, Nova Scotia-based think-tank.

It says production reached 4.981m troy ounces last year, very slightly ahead of the 4.957m ounces in 1990. Canada's gold output had previously been rising very strongly since 1985, at which time it was only 2.1m ounces.

The number of Canadian gold mines fell from 73 in 1990 to 70 last year and MEG says the total will be down to 55 this year.

The most productive three mines are all in the Hemlo area of Ontario: International Corona/Teck's Williams mine (518,703 ounces); Hemlo's Golden Giant (443,438 ounces); and Teck/International Corona's David Bell (283,128 ounces).

Together they contributed about 25 per cent of 1991 Canadian production but their total output fell by about 100,000 ounces from 1990. MEG estimates that production from these three mines will fall by another 100,000 ounces this year.

Ontario produced 2.4m ounces of gold last year, down from 2.6m ounces and its output is forecast to be 2.3m this year. Quebec, Canada's second-largest producer, saw production up from 1.25m ounces to 1.46m ounces last year but it is predicted to slip to 1.4m in 1992.

Active Canadian Gold Mines, US$1,600 from Metals Economics Group, PO Box 2206, Halifax, Nova Scotia, B3J 3C4.

MINOR METALS PRICES

Prices supplied by Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,720-1,750 (same).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 2.30-2.60 (same).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 0.65-0.85 (same).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 19.00-21.00 (19.50-21.00).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 135-150 (same).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb of Mo, in warehouse, 2.33-2.38 (same).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 4.80-5.50 (same).

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) of WO_3, cif, 53-62 (same).

VANADIUM: European free market, min. 98 per cent, $ a lb V_2O_5, cif, 2.00-2.15 (same).

URANIUM: Nuexco exchange value, $ per lb, U_3O_8, 7.75 (same).

WORLD COMMODITIES PRICES

MARKET REPORT

Currency factors were still the main influence on **BASE METAL** trading on the LME. However there were signs that the cheapness of the metals in European and Far East local currency terms (because of the dollar's weakness) was attracting some consumer interest. This underpinned most of the metals when they staged an opening dip and saw them gradually advance over the day, although copper fell back in the last few minutes of trading. The rises triggered dealer short covering and some speculative interest although investors were still wary of any sudden currency fluctuation. Three-month **TIN** maintained its midday break through previous resistance above $6,850 a tonne, at one stage reaching $6,915. **GOLD** encountered resistance in the $342 area as the dollar slid on news that a French opinion poll on Maastricht showed the No vote at 51 per cent and the Yes at 49 per cent. Dealers said gold would have to push though $342.80 a troy ounce in order to trigger short covering by US funds. There was some concern that the Australian central bank might fail to defend its currency, triggering forward gold sales by local mines attempting to lock in higher prices.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)(Oct)		+ or -
Dubai	$17.80-90d	-0.05
Brent Blend (dated)	$19.55-70d	-0.05
Brent Blend (Oct)	$19.80-85	-0.05
W.T.I (1 pm est)	$21.20-25d	-0.10
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$215-217	
Gas Oil	$174-176	+0.50
Heavy Fuel Oil	$64-66	
Naphtha	$191-192	+1
Petroleum Argus Estimates.		
Other		+ or -
Gold (per troy oz)♣	$341.30	-0.9
Silver (per troy oz)♣	373.5c	
Platinum (per troy oz)	$348.75	-2.6
Palladium (per troy oz)	$85.0	
Copper (US Producer)	116.0c	
Lead (US Producer)	39.4c	
Tin (Kuala Lumpur market)	16.76r	
Tin (New York)	316.5c	+1
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	109.35p	+0.67*
Sheep (live weight)†♠	73.27p	-0.27*
Pigs (live weight)†	80.20p	-1.72*
London daily sugar (raw)	$250.60w	+4.60
London daily sugar (white)	$275.50w	+0.20
Tate and Lyle export price	£234.0	+1.50
Barley (English feed)	$118.50z	
Maize (US No. 3 yellow)	£148.0	
Wheat (US Dark Northern)	Unq	
Rubber (Oct)♥	49.75p	
Rubber (Nov)♥	49.75p	
Rubber (KL RSS No 1 Jul)	218.50m	
Coconut oil (Philippines)§	$512.5t	+2.5
Palm Oil (Malaysian)§	$400.0y	
Copra (Philippines)§	$322.50	
Soyabeans (US)	£133.0	+0.5
Cotton "A" Index	58.70c	+0.55
Woollops (64s Super)	367p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg.t-Oct/Nov w-Aug/Sep y-Sep d-Oct. z-Oct/Dec. †Meat Commission average latstock prices.* change from a week ago ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.♠Sheep prices are now live weight prices.

SUGAR – London FOX		($ per tonne)	
Raw	Close	Previous	High/Low
Oct	204.00	202.00	203.80 201.60
Dec	194.00	200.00	193.60
Mar	195.40	195.20	193.40
May	195.00		194.00
Oct	193.00		192.00
White	Close	Previous	High/Low
Oct	257.00	257.40	258.80 256.60
Dec	253.00	253.50	254.00 252.50
Mar	256.20	256.50	257.00 255.40

Turnover: Raw 696 (137) lots of 50 tonnes. White 475 (1864) Paris- White (FFr per tonne) Oct 1229.30 Dec 1220.92

CRUDE OIL – IPE		$/barrel	
	Close	Previous	High/Low
Oct	19.75	20.04	20.15 19.74
Nov	19.78	20.08	20.16 19.78
Dec	19.82	20.10	20.16 19.82
Jan	19.78	20.03	20.04 19.81
Feb	19.85	19.99	19.92 19.86
Mar	19.63		19.80 19.70
Apr	19.63		19.70 19.60
IPE Index	19.81	19.81	19.81

Turnover 23996 (25820)

GAS OIL – IPE		$/tonne	
	Close	Previous	High/Low
Sep	178.75	177.75	180.25 178.00
Oct	183.25	182.50	185.00 182.75
Nov	186.50	186.25	188.00 186.25
Dec	189.00	188.25	190.25 188.75
Jan	189.25	189.00	190.75 189.00
Feb	186.75	186.00	187.50 186.00
Mar	182.50	182.50	184.00 183.00
Apr	180.00	180.00	181.50 180.00
May	178.50	179.00	180.00 178.50

Turnover 9954 (12423) lots of 100 tonnes

JUTE
C and F Dundee: BTC US$380, BWC US$425, BTD US$380, BWD US$370. C and F Antwerp: BTC US$370, BWC US$370, BTD US$345, BWD US$346.

COTTON
LIVERPOOL - Spot and shipment sales for the week ending 21 August 1992 amounted to 604 tonnes against nil tonnes in the previous week.

COCOA – London FOX			£/tonne
	Close	Previous	High/Low
Sep	613	604	612 604
Dec	644	633	644 634
Mar	673	663	672 665
May	691	681	691 684
Jul	710	699	710 702
Sep	728	717	726
Dec	753	743	752 746

Turnover 4579 (4265) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Aug 24 819.49 (817.32) 10 day average for Aug 25 801.49 (801.34)

COFFEE London FOX			$/tonne
	Close	Previous	High/Low
Sep	741	734	743 734
Nov	762	754	765 755
Jan	770	764	773 768
Mar	779	778	780 774
May	792	785	790 789
Jul	807	802	802

Turnover 2429 (1779) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Aug 24 Comp. daily 45.82 (45.31) 15 day average 45.77 (45.87)

POTATOES London FOX			£/tonne
	Close	Previous	High/Low
Apr	61.2	61.2	62.5 61.5

Turnover 27 (32) lots of 20 tonnes.

SOYAMEAL London FOX			£/tonne
	Close	Previous	High/Low
Dec	119.50	119.70	119.50
Feb	121.50	121.70	121.50

Turnover 40 (0) lots of 20 tonnes.

FREIGHT London FOX			$10/index point
	Close	Previous	High/Low
Aug	1072	1075	1072
Sep	1100	1110	1100
Oct	1180	1190	1190 1179
Jan	1220	1220	1220
Apr	1260		1260
BFI	1077	1078	1077

Turnover 100 (38)

GRAINS London FOX			£/tonne
Wheat	Close	Previous	High/Low
Sep	112.75	113.25	112.80 112.75
Nov	114.90	115.50	115.20 114.90
Jan	118.50		118.95 118.50
Mar	121.85	122.45	122.00 121.85
May	124.75	125.50	125.10 124.65
Barley	Close	Previous	High/Low
Sep	109.55	109.70	109.55
Jan	116.90		117.00 116.85
Mar	119.35		119.35
May	121.20	119.85	121.20

Turnover Wheat 209 (99), Barley 57 (12)
Turnover lots of 100 Tonnes.

PIGS London FOX (Cash Settlement) p/kg			
	Close	Previous	High/Low
Nov	107.0	108.0	107.0

Turnover 7 (7) lots of 3,250 kg

LONDON METAL EXCHANGE				(Prices supplied by Amalgamated Metal Trading)		
	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)					Total daily turnover 27,334 lots	
Cash	1305.5-6.5	1299.5-300.5		1302.5-3.5		
3 months	1330.5-31	1324-5	1332/1324	1327-7.5	1330-1	175,990 lots
Copper, Grade A (£ per tonne)					Total daily turnover 38,717 lots	
Cash	1275-6	1271-2	1273.5/1272.5	1273-3.5		
3 months	1300-1	1296-7	1304/1296	1296-6.5	1297-8	149,014 lots
Lead (£ per tonne)					Total daily turnover 3,568 lots	
Cash	325-6	325-6		323-3.5		
3 months	335.5-6	335.5-6	336/333.5	333.5-4	336-6.5	28,033 lots
Nickel ($ per tonne)					Total daily turnover 7,751 lots	
Cash	7290-5	7285-75	7260/7255	7250-5		
3 months	7365-70	7340-50	7365/7325	7330-5	7360-5	28,031 lots
Tin ($ per tonne)					Total daily turnover 3,320 lots	
Cash	6865-75	6810-20		6840-50		
3 months	6895-900	6840-5	6915/6820	6860-70	6880-5	11,675 lots
Zinc, Special High Grade ($ per tonne)					Total daily turnover 8,272 lots	
Cash	1376-7	1370-1	1367/1368.5	1366-7		
3 months	1347-8	1338-9	1352/1337	1339.5-40	1351-2	64,810 lots

LME Closing £/$ rate:
SPOT: 1.9903 3 months: 1.9553 6 months: 1.9243 9 months: 1.8933

LONDON BULLION MARKET (Prices supplied by N M Rothschild)		
Gold (troy oz)	$ price	£ equivalent
Close	341.10-341.50	
Opening	340.80-341.20	
Morning fix	340.85	171.213
Afternoon fix	341.40	171.730
Day's high	341.70-342.10	
Day's low	340.20-340.60	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	2.68	6 months	2.68
2 months	2.68	12 months	2.78
3 months	2.68		

Silver fix	p/troy oz	US cts equiv
Spot	1.8625	3.7065
3 months	1.9125	3.7380
6 months	1.9620	3.7675
12 months	2.0640	3.8435

GOLD COINS	$ price	£ equivalent
Krugerrand	339.00-341.00	170.00-172.00
Maple leaf	351.65-353.90	-
New Sovereign	81.00-83.00	41.00-43.00

TRADED OPTIONS				
Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Sep	Dec	Sep	Dec
1250	74	85	3	10
1300	35	68	13	21
1350	11	37	39	43
Copper (Grade A)	Calls		Puts	
2500	69	87	25	61
2550	41	63	46	86
2600	22	44	77	118
Coffee	Nov	Jan	Nov	Jan
600	164	172	2	2
650	119	126	7	8
700	80	88	18	16
Cocoa	Dec	Mar	Dec	Mar
525	121	153	2	5
550	98	132	4	9
575	77	112	8	14
Brent Crude	Oct	Nov	Oct	Nov
2000	30	61	38	57
2050	18	40	69	85
2100	9	26		118

New York

GOLD 100 troy oz.; $/troy oz.				
	Close	Previous	High/Low	
Aug	340.6	341.6	341.6	340.7
Sep	340.8	341.8	0	0
Oct	341.7	342.7	342.5	341.2
Dec	343.3	344.3	344.6	342.7
Feb	345.1	346.1	346.0	345.0
Apr	346.8	347.8	347.1	347.1
Jun	348.6	349.6	349.2	348.4
Aug	350.5	351.5	0	0
Oct	352.4	353.4	0	0

PLATINUM 50 troy oz; $/troy oz.				
	Close	Previous	High/Low	
Oct	351.2	349.8	353.0	347.5
Jan	348.9	347.8	349.5	345.5
Apr	349.4	348.8	351.0	347.0
Jul	350.4	349.8	0	0

SILVER 5,000 troy oz; cents/troy oz.				
	Close	Previous	High/Low	
Aug	370.0	371.2	370.5	370.5
Sep	370.2	371.7	372.5	368.5
Oct	372.2	373.7	0	0
Dec	373.9	375.5	378.5	372.5
Jan	375.2	376.8	376.0	376.0
Mar	377.7	379.3	380.0	378.0
May	380.4	382.0	381.5	380.0
Jul	382.9	384.5	384.0	383.0
Sep	385.8	387.4	386.0	386.0
Dec	390.2	391.8	391.5	391.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Aug	112.10	113.60	113.90	112.10
Sep	112.30	113.70	114.10	112.10
Oct	112.70	114.05	113.55	112.70
Nov	113.05	114.40	0	0
Dec	113.45	114.80	115.25	113.30
Jan	113.10	114.35	0	0
Feb	112.95	114.15	0	0
Mar	112.65	113.75	114.15	112.50
Apr	111.80	112.85	0	0
May	111.45	112.45	111.85	111.85

CRUDE OIL (Light) 42,000 US galls $/barrel				
	Close	Previous	High/Low	
Oct	21.15	21.54	21.51	21.13
Nov	21.08	21.44	21.50	21.06
Dec	21.02	21.34	21.40	21.00
Jan	20.92	21.25	21.30	20.94
Feb	20.84	21.18	21.20	20.88
Mar	20.75	21.07	21.10	20.80
Apr	20.65	20.97	20.98	20.70
May	20.55	20.88	20.85	20.57
Jun	20.45	20.78	20.79	20.55
Jul	20.37	20.67	20.67	20.45

HEATING OIL 42,000 US galls, cents/US galls				
	Close	Previous	High/Low	
Sep	58.23	59.31	59.70	58.15
Oct	59.08	60.24	60.60	59.00
Nov	60.27	61.34	61.50	60.20
Dec	61.46	62.38	62.65	61.40
Jan	61.96	62.88	63.15	62.10
Feb	61.26	62.08	62.30	61.30
Mar	59.39	60.18	60.30	59.50
Apr	57.69	58.43	58.60	57.95
May	56.64	57.23	57.30	56.75
Jun	55.79	56.43	0	0

COCOA 10 tonnes;$/tonnes				
	Close	Previous	High/Low	
Sep	1098	1074	1103	1065
Dec	1135	1107	1137	1104
Mar	1163	1154	1184	1155
May	1211	1189	0	0
Jul	1238	1220	1240	1240
Sep	1265	1235	1267	1264
Dec	1308	1270	1308	1308
Mar	1341	1306	0	0
May	1368	1334	0	0

COFFEE "C" 37,500lbs; cents/lbs				
	Close	Previous	High/Low	
Sep	50.90	52.35	52.95	50.55
Dec	52.70	53.80	54.65	52.25
Mar	55.25	56.15	56.85	54.60
May	59.05	60.30	60.75	58.50
Jul	61.20	62.20	62.00	61.20
Sep	63.00	64.25	64.60	62.50
Dec	66.25	67.00	67.70	66.25

SUGAR WORLD "11" 112,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Oct	9.06	8.99	9.09	8.95
Mar	8.79	8.80	8.87	8.76
May	8.81	8.79	8.85	8.76
Jul	8.79	8.81	8.83	8.77
Oct	8.72	8.71	8.75	8.69

COTTON 50,000; cents/lbs				
	Close	Previous	High/Low	
Oct	58.95	60.18	61.60	59.00
Dec	56.27	58.25	56.30	56.25
Mar	57.30	59.30	59.85	57.30
May	57.86	59.66	60.20	57.86
Jul	58.45	60.45	60.70	58.45
Oct	59.05	60.70	59.75	59.75
Dec	59.05	60.90	60.50	59.60

ORANGE JUICE 15,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Sep	111.40	112.90	113.20	110.75
Nov	107.25	109.80	109.70	106.30
Jan	106.90	109.50	109.70	106.35
Mar	107.05	109.40	109.30	106.75
May	107.25	109.60	0	0
Jul	106.75	109.10	0	0
Sep	106.75	109.10	110.00	110.00
Nov	106.75	109.10	0	0

INDICES				
REUTERS (Base: September 18 1931 = 100)				
	Aug.25	Aug.24	mnth ago	yr ago
	1523.4	1518.5	1549.2	1659.8
DOW JONES (Base: Dec. 31 1974 = 100)				
	Aug.24	Aug.21	mnth ago	yr ago
Spot	117.45	116.13	117.50	118.04
Futures	116.66	115.40	118.09	121.96

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel				
	Close	Previous	High/Low	
Sep	562/0	559/6	562/6	558/4
Nov	558/4	553/2	557/2	551/4
Jan	563/4	560/6	564/2	558/2
Mar	571/0	568/6	572/0	566/4
May	577/4	576/0	578/4	571/4
Jul	584/0	582/0	585/4	579/0
Aug	581/6	580/0	584/6	581/0

SOYABEAN OIL 60,000 lbs; cents/lb				
	Close	Previous	High/Low	
Sep	18.87	18.55	18.97	18.64
Oct	19.08	18.69	19.12	18.80
Dec	19.35	18.99	19.43	19.06
Jan	19.50	19.14	19.57	19.25
Mar	19.80	19.44	19.89	19.54
May	20.07	19.72	20.14	19.83
Jul	20.30	19.96	20.30	20.10
Aug	20.46	20.07	0	0

SOYABEAN MEAL 100 tons; $/ton				
	Close	Previous	High/Low	
Sep	176.4	175.9	176.5	175.5
Oct	192.3	192.3	192.8	191.2
Dec	191.8	192.3	192.7	190.4
Jan	190.9	191.4	191.8	189.8
Mar	189.7	190.4	190.7	188.4
May	189.3	190.0	190.5	188.5
Jul	189.5	190.0	190.7	189.5
Aug	189.5	189.7	191.2	189.5

MAIZE 5,000 bu min; cents/56lb bushel				
	Close	Previous	High/Low	
Sep	226/2	224/6	227/2	225/0
Dec	226/2	224/6	227/0	224/6
Mar	234/4	233/2	235/2	233/2
May	240/2	238/2	240/4	239/0
Jul	245/0	243/6	245/4	244/0
Sep	243/2	242/0	244/0	243/2
Dec	247/0	244/4	247/0	246/2

WHEAT 5,000 bu min; cents/60lb-bushel				
	Close	Previous	High/Low	
Sep	325/0	321/0	326/0	319/2
Dec	337/2	334/2	338/2	331/4
Mar	345/0	341/2	346/0	339/2
May	342/4	338/6	342/4	337/2
Jul	327/4	324/0	327/4	322/6
Sep	331/0	327/0	331/0	327/0
Dec	341/4	339/0	341/4	339/0

LIVE CATTLE 40,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Oct	74.350	74.750	74.850	74.275
Dec	72.575	72.950	73.025	72.550
Feb	71.925	72.150	72.200	71.850
Apr	73.075	73.250	73.200	72.875
Jun	70.050	70.200	70.250	70.000
Aug	68.550	68.675	68.800	68.550
Oct	70.000	0	0	0

LIVE HOGS 40,000 lb; cents/lbs				
	Close	Previous	High/Low	
Oct	40.025	40.325	40.200	39.850
Dec	40.575	40.850	40.700	40.300
Feb	40.300	40.635	40.425	40.000
Apr	39.075	39.200	39.150	38.650
Jun	44.600	44.675	44.850	44.500
Jul	44.625	44.850	44.800	44.450
Aug	43.600	43.900	43.550	43.400
Oct	41.600	0	0	0

PORK BELLIES 40,000 lbs; cents/lb				
	Close	Previous	High/Low	
Feb	39.050	40.300	40.000	38.400
Mar	38.850	40.125	39.800	38.350
May	40.250	41.375	40.425	39.750
Jul	38.600	40.100	40.000	38.600
Aug	39.050	0	39.050	39.050

LONDON STOCK EXCHANGE

Selling programmes hit share prices

By Terry Byland, UK Stock Market Editor

FURTHER turmoil in currencies, fuelled by conflicting Maastricht opinion polls in France, prompted increased selling pressure in UK equities yesterday. Share prices were hit by a series of trading programmes, including one very large programme heavily weighted to the sell side and operated by a leading UK investment bank. A final blow came when a US brokerage sold the Footsie futures contract heavily.

The FT-SE index plunged by more than 50 points at the day's low as sterling fell to within a pfennig of its permitted ERM floor. However, the market rallied as the trading day drew to a close without any sign of the full point rise in UK base rates now widely feared on the London stock market.

The FT-SE index ended 30.1 down at 2,281, the lowest closing level since February 1991 – although the index traded as low as 2,294 only a month ago. Traders drew little comfort from the late recovery which reflected the shortage of stock in a market where marketmakers are keeping positions as tight as possible.

Several dealers said that the market's loss would have been greater had it been possible to sell stock in the size offered by some institutions. Dealers at the marketmaking firms are sticking rigidly to the bargain sizes shown on the Seaq screens and brokers found great difficulty in offloading larger deals.

Account Dealing Dates		
First Dealings:		
Aug 10	Aug 24	Sep 7
Option Declarations:		
Aug 20	Sep 3	Sep 17
Last Dealings:		
Aug 21	Sep 4	Sep 18
Account Day:		
Sep 1	Sep 14	Sep 28

*New time dealings may take place from 8.30 am two business days earlier.

Nevertheless, Seaq volume jumped to 537.7m shares from the 382m of the previous session. Monday's Seaq total brought retail business worth a mere £666.6m but yesterday's retail total is expected to be higher.

Equities opened lower against a background of continued worry over sterling and weak performances from share prices in Tokyo and New York. But London steadied at first, to show a fall of under seven points on the Footsie, despite a heavy fall in Grand Metropolitan following a boardroom statement.

Share prices fell heavily just before lunch when the heavy selling programme from a London investment bank hit the trading screens. Substantial blocks of shares were sold, ranging from dollar-influenced issues to domestic building and construction stocks which are particularly sensitive to base rate worries.

Losses increased as the pound crumbled in the face of a French opinion poll suggesting a 51 per cent "no" vote against Maastricht, although it was soon followed by disclosure of a second poll indicating the same percentage for a "yes" vote.

Two more, smaller, trading programmes were identified and the trading screens reported sizeable deals in, among many others, British Steel, Glaxo, Tarmac, and Sainsbury.

The stock market closed on a gloomy note, with analysts looking nervously over their shoulders at the Footsie 2,100 mark.

Some believe that even this benchmark could be challenged if the UK authorities are obliged to raise base rates by a full point in order to defend sterling in the ERM range.

Heavy selling of Steel

A NEGATIVE recommendation and heavy selling sent British Steel to its lowest level since the shares were floated at 110p in December 1988. The stock dipped below 50p for the first time to close 2¼ off at 49p on unusually heavy turnover of 32m shares.

County NatWest repeated its short-term sell advice, which argues that the dividend will be cut to 3p and that for sufficient yield the shares need to fall to 45p. Analyst Mr Sandy Morris said: "If the UK were forced to raise interest rates, one of the companies most badly hit would be British Steel."

The securities house acted on behalf of a UK seller who wanted to offload more than 15m shares. County sold the stock in London at 47½p a share and found a buyer in New York, where investors are apparently prepared to take a much longer view and like the company's asset value.

Shortly before the market closed, another large block of shares – 8.1m – was traded in London at 43p. The low price of the late trade suggested one half of a tax-related "bed-and-breakfast" deal.

GrandMet setback

A warning from Grand Metropolitan that profits would be flat this year sent the shares into hasty retreat. The focus of the brewing and food group's worries lies in its US operations, namely the loss-making Pearl Vision optician chain and the Jolly Green Giant food division.

The latter, which contributes a third of GrandMet's US food revenue, has been badly hit by the US's second consecutive record harvest, which has depressed sweet corn prices. Business in its UK public houses, predominantly based in the south-east, has also been suffering.

Analysts immediately downgraded the group, most moving from the £1bn level to around £950m, although criticism was tempered by GrandMet's decision to pay an increased dividend. "Sustaining profits in this type of market and raising the dividend will not look so bad once the results season gets into gear," said Mr Geoff Collyer at County NatWest. "They may come back into favour on that." He has moved to a short-term hold but remains a long-term buyer.

The shares, down 43 at one stage, recovered to 379p for a loss of 33 on the day. Turnover was a hefty 12m.

Recs bought

Another solid performance from the regional electricity stocks (Recs) was underpinned by the continuing move by institutional investors out of the Electricity Package, which ceases to be traded on September 4, and into selected Recs.

Yesterday it was the turn of the second-line Recs to attract institutional interest as Credit Lyonnais Laing decided they looked cheap and likely to outperform in the short-term. Seeboard gained 10 to 325p and Manweb 11 to 358p, while the Package rose 27 to £3310.

Gas disappoints

A second-quarter loss, a slightly disappointing interim dividend and a warning that full-year profits will be well below last year's triggered sustained selling of British Gas. The stock finished 5¼ lower at 237¼p, having touched 236p. Turnover reached 11.5m, well above usual levels.

Mr Steve Turner at Smith New Court said: "British Gas is facing a particularly nasty margin squeeze at present, with gas prices falling and costs rising sharply." Following the figures, Smith reduced its current year estimate from £1.1bn to £1bn and shaved its dividend forecast from 14.25p to 14p.

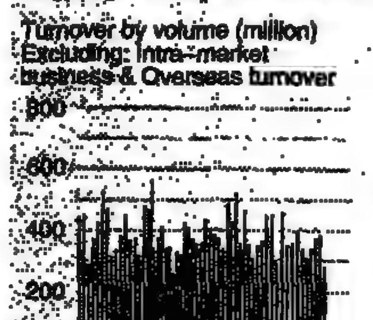
Other analysts, however, suggested the market had been too optimistic on the interim payment, with Ms Christine Baker at Nomura noting that the dividend "still represents a real rate of increase" and the shares "remain attractive in the context of the nervous state of the equity market".

National Westminster Bank was easily the worst performer in a generally resilient banks sector yesterday. The stock weakened to 301p before closing 13 down at 302p amid hints that the bank may reveal more details of some of its bad debts in a routine report to the US Stock Exchange Commission.

FT-A All-Share Index

Equity Shares Traded

Turnover by volume (million) Excluding: Intra-market business & Overseas turnover



Composite insurers were under further pressure, still unsettled by fears of a rise in domestic interest rates and, to a much lesser extent, worries about Hurricane Andrew, which has caused severe damage in Florida.

Sun Alliance was heavily sold late in the session, sliding to 214p before stabilising to end a net 7 weaker at 217½p. Turnover reached a hefty 6.8m.

Turnover of 14m in BP was substantially swollen by a late trade of 6.2m shares transacted at 178p: the deal was thought to have represented a bed-and-breakfast, or tax-related, trade.

Interim results from Graseby, formerly Cambridge Electronics, were in line with market expectations, but sentiment was unsettled by worries about the outlook for the full year and the chances of the group paying the final dividend. The shares dropped to 128p before closing 34 off at 133p.

Carlton Communications slid 20 to 541p on fears of vulnerability to a weak dollar.

ECC Group was also affected by dollar weakness and further depressed by talk of analysts downgrading full-year profits forecasts for the company after half-year results next month. The shares fell 30 to 450p.

Conglomerate Hanson was beginning to look oversold yesterday and the shares picked up a penny against the market trend to close at 186½p.

Shares in hotel group Forte crumbled after Sodexho, the French catering group, denied press reports that it was about to buy Forte's Gardner Merchant subsidiary. Forte was off 10 at one point but recovered to 127p to leave a decline of 3.

MARKET REPORTERS:
Peter John,
Christopher Price,
Steve Thompson.

■ Other market statistics, Page 14

FINANCIAL TIMES STOCK INDICES

	Aug 25	Aug 24	Aug 21	Aug 20	Aug 19	Year Ago	1992 High	1992 Low	Since Compilation High	Since Compilation Low
Government Secs	87.56	87.90	88.43	88.59	88.54	85.78	89.75 (3/7)	85.11 (1/4)	127.40 (9/1/35)	49.18 (3/1/75)
Fixed Interest	103.82	104.51	105.15	105.28	105.10	94.89	108.35 (6/7)	97.15 (2/1)	106.35 (8/7/92)	50.53 (3/1/75)
Ordinary Share●	1681.0	1713.7	1755.4	1757.5	1765.6	2050.0	2149.7 (22/5)	1681.0 (25/8)	2149.7 (22/5/92)	49.4 (26/6/40)
Gold Mines	80.3	82.4	82.5	82.4	82.1	159.0	160.6 (10/1)	80.2 (14/8)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2281.0	2311.1	2365.7	2359.4	2363.5	2619.8	2737.8 (11/5)	2281.0 (25/8)	2737.8 (11/5/92)	986.9 (23/7/84)
FT-SE Eurotrack 200	1029.56	1050.49	1077.66	1071.32	1072.98	1182.85	1248.79 (11/5)	1029.56 (25/8)	1248.79 (11/5/92)	938.62 (18/1/91)
●Ord Div Yield	5.31	5.22	5.10	5.11	5.10	4.63				
●Earning Yld %(full)	7.72	7.56	7.39	7.40	7.39	7.55				
●P/E Ratio(Net)(*)	16.37	16.71	17.09	17.06	17.08	16.52				
SEAQ Bargns 5.00pm	19,218	18,919	23,298	19,892	16,585	28,515				
Equity Turnover(£m)†	-	666.6	832.8	822.7	778.0	638.1				
Equity Bargains†	-	20,280	25,018	21,770	19,932	29,887				
Shares Traded (ml)†	-	282.6	387.6	376.1	348.4	284.5				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. *Nil 15.23.

Ordinary Share Index, Hourly changes — Day's High 1707.3 — Day's Low 1681.0

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1704.4	1703.3	1705.8	1692.6	1677.3	1683.3	1681.7	1681.4	1673.3

FT-SE 100, Hourly changes — Day's High 2304.2 — Day's Low 2260.6

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2302.3	2299.0	2302.5	2288.8	2274.6	2280.8	2281.0	2282.2	2272.8

FT-SE Eurotrack 200, Hourly changes — Day's High 1048.51 — Day's Low 1028.73

Open	10.30 am	11 am	12 pm	1 pm	2 pm	3 pm
1048.49	1045.41	1039.85	1034.52	1037.02	1038.61	1037.87

GILT EDGED ACTIVITY

Indices*	Aug 24	Aug 21
Gilt Edged Bargains	73.8	68.7
5 – Day average	73.2	67.0

*SE Activity 1974.
†Excluding intra-market business and Overseas turnover.

London report and latest Share Index: Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p/minute at all other times.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	32	370	-8	Comm Union	786	448	-5	Lonrho	1,600	70½	-1½	Shell Transport	3,100	452	
ASDA Group	6,100	24	-½	Cookson	1,300	126	-6	Lucas	2,200	95	-3	Siebe	2,400	585	-7
Abbey National	3,300	256		Courtaulds	375	429	-20	MB Caradon	2,500	227	+1	Slough Ests	1,200	89	-8
Albert Fisher	9,900	32	+1	Dalgety	390	370	+7	MEPC	723	221	-7	Smith (W.H.) A	1,500	381	-3
Allied-Lyons	2,900	560	-12	De La Rue	823	530	-3	Marweb	1,800	358	+11	Smith & Nephew	1,100	127½	-5½
Amstrad	1,000	21		Dixons	3,500	191	-6	Marks & Spencer	6,300	281	-5	SmKl Beecham	2,800	449	-5
Anglian Water	1,100	443	+9	Eastern Elect	2,500	280	-1	Midlands Elect	2,000	338		SmKl Beecham Uts	524	407½	-4½
Argos	463	215	-1	East Midland Elect	2,600	309	+2	NFC	888	229½	-9½	Smiths Inds	618	274	+4
Argyll Group	4,700	324		Eng China Clays	1,300	450	-30	NatWest Bank	3,900	302	-13	Southern Elect	3,600	338	+3
Arjo Wiggins	1,600	208	+1	Enterprise Oil	1,100	364	-3	National Power	2,200	233	+4	South Wales Elect	522	382	+8
Ass. Brit Foods	29	392	-3	Eurotunnel Units	421	345	-5	Next	1,900	87½	-2	South West Water	503	429	+5
Ass. Brit Ports	308	262	-7	FKI	2,400	69½	-½	North West Water	2,900	445	+2	South West Elect	1,000	324	+7
BAA	611	656		Fisons	1,800	159	-3	Northern Elect	924	340	+2	[illegible]			
[illegible]															
Brit. Aerospace	1,100	203	-1	IMI	1,400	229	+1	Rolls Royce	1,400	132½	-3½	Utd. Newspapers	248	364	-4
British Airways	2,800	228	-1	ICI	1,900	1074	-15	Rothmans	383	508	-8	Vodafone	6,600	293	-7
British Gas	11,000	237½	-5½	Inchcape	982	387	-11	Ryl Bk Scotland	2,200	148	-5	Warburg (SG)	387	414	+5
British Land	98	148	-2	Kingfisher	1,400	423	-7	Royal Insurance	2,100	148	+3	Wellcome	4,000	792	-12
British Steel	32,000	49	-2½	Kwik Save	681	641	-4	Saatchi	112	135	-1	Welsh Water	301	463	+1
Bunzl	8	84		Ladbroke	4,900	133	-7	Sainsbury	2,100	448	+1	Wessex Water	307	524	+6
Burmah Castrol	502	560	-5	Land Securities	921	355	-5	Scottish & New.	491	417	-6	Whitbread 'A'	301	377	-13
Burton	5,600	30½	-1½	Laporte	284	437	-18	Scot. Hydro-Elect	6,300	204	+3	Williams Hldgs	350	236	-6
Cable & Wire	1,500	493	-2	Legal & General	2,300	269	-13	Scottish Power	7,100	186	+4	Wills Corroon	2,500	144	-3
Cadbury Schweppes	1,700	442	-6	Lloyds Abbey	487	298	-7	Sears	8,500	66½	-½	Wimpey	2,100	98	-3
Calor Group	88	171	+1	Lloyds Bank	1,800	392	-4	Sedgwick	2,200	101	-1	Wolseley	425	317	
Carlton Comms	1,800	541	-20	LASMO	2,400	134	-1	Seeboard	833	325	+10	Yorkshire Elect.	2,100	367	+1
Coats Viyella	1,100	153½	-2½	London Elect.	2,200	310	+2	Severn Trent Water	3,000	423	+1	Yorkshire Water	2,200	485	+10

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down

EQUITY FUTURES AND OPTIONS TRADING

BUSY trading in the futures market yesterday was once again dominated by currency and interest rate concerns, writes Christopher Price.

The September contract opened weakly at 2,306 as independent traders figured large on the selling side. However, a squeeze developed and, soon after the opening, September moved forward, reaching its high of the day of 2,314 by 10am.

By this time, however, traders' minds were again focused on sterling, the dollar and the D-mark, and the effect on UK base rates. As pressure on sterling mounted, the market began to slide, accentuated in late morning trading by a big sell programme by BZW.

Further events combined to maintain the downward pressure: a weak Wall Street, the French poll on Maastricht and a large sell order executed by US broking house Salomon Brothers. September hit 2,256, its low of the day, late in the day's trading, but rallied towards the end. It closed at 2,285, down 31 points on the previous session, and around a 5-point premium to its fair value of 5.5. Turnover was 17,139 contracts.

In traded options, total turnover reached 41,335 contracts, of which 15,957 were in the FT-SE 100.

NEW HIGHS AND LOWS FOR 1992

[illegible]

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS — Figures in parentheses show number of stocks per section	Tuesday August 25 1992 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%))	Est. P/E Ratio (Net)	xd adj. 1992 to date	Mon Aug 24 Index No.	Fri Aug 21 Index No.	Thu Aug 20 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (175)	693.24	-1.1	8.51	6.45	15.05	21.54	700.84	716.98	717.43	855.94
2 Building Materials (23)	706.09	-0.7	7.70	7.84	17.62	27.19	711.31	739.75	747.22	1100.13
3 Contracting, Construction (27)	556.15	-1.1	6.30	10.73	34.56	25.52	562.09	581.85	577.96	1163.46
4 Electricals (9)	2056.70	-1.8	8.00	7.31	16.13	73.60	2094.25	2157.72	2162.67	2465.47
5 Electronics (27)	1875.88	+0.2	8.59	4.59	14.51	46.26	1872.67	1894.31	1902.08	1756.26
6 Engineering-Aerospace (6)	295.35	-1.0	12.33	8.82	10.26	11.27	298.31	305.94	304.09	407.34
7 Engineering-General (43)	421.11	-0.7	9.74	5.72	13.04	12.65	424.29	433.43	433.46	479.80
8 Metals and Metal Forming (7)	260.98	-2.1	6.58	8.44	22.22	7.30	266.45	272.31	270.62	447.71
9 Motors (14)	291.11	-1.6	9.23	8.10	14.27	12.80	295.77	303.75	305.16	356.94
10 Other Industrial Materials (19)	1515.21	-1.8	8.19	5.47	14.69	38.28	1542.93	1570.77	1565.01	1639.21
21 CONSUMER GROUP (191)	1446.17	-1.5	8.46	3.98	14.51	28.02	1468.61	1500.35	1498.46	1548.67
22 Brewers and Distillers (25)	1838.08	-2.8	9.04	3.98	13.34	37.45	1890.35	1922.63	1929.36	1894.04
25 Food Manufacturing (19)	1094.58	-1.3	9.86	4.83	12.54	26.54	1109.12	1131.84	1133.30	1212.91
26 Food Retailing (18)	2595.10	-0.3	9.40	3.52	13.87	47.40	2603.40	2644.02	2645.28	2632.27
27 Health and Household (24)	3655.38	-1.6	7.60	2.92	15.00	42.46	3714.32	3818.73	3797.42	3701.21
29 Hotels and Leisure (18)	969.67	-1.3	8.29	7.06	15.68	38.02	982.88	1005.42	997.24	1352.34
30 Media (27)	1376.53	-0.5	7.35	3.83	16.94	29.64	1383.43	1407.14	1399.17	1488.80
31 Packaging, Paper & Printing (17)	701.53	----	7.39	4.71	16.37	16.15	701.83	713.66	715.04	767.57
34 Stores (34)	907.08	-1.8	8.33	4.12	15.89	17.01	923.95	946.33	947.73	1013.25
35 Textiles (9)	551.94	-1.6	8.79	5.62	14.17	15.02	560.72	574.61	571.91	613.49
40 OTHER GROUPS (117)	1172.86	-0.7	10.58	5.79	11.80	37.04	1181.26	1202.28	1195.97	1276.91
41 Business Services (17)	1192.87	-0.8	7.15	4.35	17.07	21.45	1201.93	1224.79	1209.49	1402.16
42 Chemicals (22)	1254.66	-2.0	7.83	5.79	15.86	45.85	1280.29	1305.83	1301.60	1467.56
43 Conglomerates (10)	1095.77	-0.1	10.44	10.04	12.28	37.23	1097.18	1140.61	1136.86	1501.89
44 Transport (14)	2139.35	-1.6	9.36	5.51	13.14	55.92	2174.25	2224.39	2219.29	2313.41
45 Electricity (16)	1348.88	+1.1	15.03	5.44	8.47	44.58	1334.39	1338.31	1321.81	1225.71
46 Telephone Networks (4)	1352.29	-1.3	11.18	4.88	11.66	46.15	1370.68	1403.59	1395.26	1543.35
47 Water (11)	2950.79	+1.1	15.18	5.86	7.29	86.85	2918.72	2921.61	2853.28	2364.95
48 Miscellaneous (23)	1871.19	-1.0	7.10	5.40	17.67	54.03	1890.10	1907.64	1929.46	1929.50
49 INDUSTRIAL GROUP (483)	1170.86	-1.2	9.17	5.00	13.57	29.75	1184.88	1209.30	1206.60	1293.45
51 Oil & Gas (17)	1774.09	-0.8	7.69	6.88	17.00	69.56	1788.51	1827.64	1816.58	2470.55
59 500 SHARE INDEX (500)	1229.13	-1.1	9.02	5.19	13.85	32.95	1243.38	1269.16	1265.85	1393.97
61 FINANCIAL GROUP (84)	631.13	-1.3	-	7.01	-	26.05	639.72	660.18	659.98	831.72
62 Banks (9)	848.82	-1.3	7.55	6.49	19.08	36.70	859.95	890.26	886.07	981.81
65 Insurance (Life) (6)	1335.57	-1.6	-	6.68	-	45.47	1357.87	1391.83	1383.77	1587.25
66 Insurance (Composite) (7)	428.51	-1.7	-	7.31	-	15.81	436.04	454.64	458.71	652.04
67 Insurance (Brokers) (10)	527.43	-1.5	13.48	10.39	9.74	39.26	535.33	562.23	592.24	1164.94
68 Merchant Banks (7)	400.24	+0.6	-	5.40	-	12.37	397.99	400.59	400.58	438.55
69 Property (30)	495.64	-1.7	12.18	9.22	11.00	21.34	504.05	515.99	516.35	931.57
70 Other Financial (15)	217.39	-0.9	8.45	7.96	16.01	6.63	219.45	221.31	222.17	260.42
71 Investment Trusts (70)	1024.12	-1.1	-	4.39	-	24.24	1035.36	1055.69	1050.86	1232.16
99 ALL-SHARE INDEX (654)	1086.13	-1.2	-	5.39	-	30.86	1098.98	1123.24	1120.57	1257.11

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Aug 24	Aug 21	Aug 20	Aug 19	Aug 18	Year ago
FT-SE 100 SHARE INDEX‡	2281.0	-30.1	2304.2	2260.6	2311.1	2365.7	2359.4	2363.5	2354.7	2619.8

FIXED INTEREST

[illegible]

AVERAGE GROSS REDEMPTION YIELDS	Year ago (approx.)
1	8.95
2	9.67
3	9.67
4	10.03
5	9.86
6	9.80
7	10.20
8	9.96
9	9.87
10	9.86
11	3.82
12	4.33
13	2.84
14	4.14
15	11.65
16	11.38
17	11.19

[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)							
13½pc 1992		100⅝xd	---	102⅛	100⅜	13.46	-
Treas 8¼pc 1993		99⅛	-⅛	99⅝	97⅜	8.32	10.13
10pc 1993‡‡		99¾	-⅛	100½	99⅛	10.03	[illegible]
[illegible]							
Exch 10½pc 1997		102⅛	-⅛	105⅜	100⅜	10.27	9.84
Five to Fifteen Years							
Treas 8¾pc 1997‡‡		96⅛xd	-⅛	98⅛	94	9.11	9.75
Exch 15pc 1997		119¾	-⅛	123⅜	118⅛	12.57	10.10
9¾pc 1998		99⅞	-⅛	100⅛	97⅛	9.77	9.79
Treas 6¾pc 1995-98‡‡		89⅞	-⅛	90⅛	86⅞	7.53	9.06
15½pc '98‡‡		124⅞xd	-⅛	129⅛	123⅛	12.46	9.97
Exch 12pc 1998		109⅞	-⅛	113¼	107⅞	10.95	9.88
Treas 9½pc 1999‡‡		99⅞	-⅛	100⅛	97⅛	9.53	9.54
Exch 12¼pc 1999		111⅛xd	-⅛	115⅛	109½	10.98	9.88

BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
Treas 10½pc 1999		103⅞	-⅛	107⅞	101⅞	10.11	9.70
Conversion 10¼pc 1999		102⅞	-⅛	105⅞	100⅞	9.97	9.89
9pc 2000‡‡		97⅛xd	-⅛	100⅛	94⅛	9.25	9.51
Treas 13pc 2000		116⅞	-⅛	121⅛	114⅞	11.14	9.88
[illegible]							
7¾pc 2012-15‡‡		87	-⅛	90⅞	81⅞	8.91	9.12
Exch 12pc '13-'17		125⅞	-⅛	130⅞	120⅛	9.55	9.23
Treas 8¾pc 2017		96⅞	-⅛	101	96⅞	8.94	9.07
8¾pc 2017 A ‡‡●E		48	---	40	40	-	-
Undated							
Consols 4pc		42⅝	-⅛	44⅛	39⅞	9.38	-
War Loan 3½pc‡‡		38⅛	-⅛	39⅛	35⅛	9.19	-
Conv 3½pc '61 Aft		61½xd	-⅛	62⅞	58	5.69	-
Treas 3pc '66 Aft		31⅞	-⅛	32⅛	29⅞	9.38	-
Consols 2½pc		27⅛	-⅛	27⅞	24⅞	9.25	-
Treas. 2½pc		28⅛xd	-⅛	27⅞	24⅞	9.26	-

BRITISH FUNDS - Cont.

Index – Linked	Notes (b)	Price £	+ or -	1992 high	1992 low	Yield (1)	Yield (2)
Treas. 2pc '94	(102.9)	126¼	-⅛	127⅝	122¼	2.73	4.27
2pc '96	(67.9)	180⅞xd	-⅛	184¼	178¾	3.84	4.52
2½pc '01	(78.3)	142¾xd	-⅛	148⅞	142¼	4.52	4.86
2½pc '03	(78.8)	138¼	-⅛	144⅞	136¼	4.54	4.83
2pc '06	(69.5)	140⅞	-⅛	147⅞	139⅞	4.33	4.76
2½pc '09	(78.8)	127⅞	-⅛	134¼	126⅞	4.58	4.70
2½pc '11	(74.6)	132	-⅛	138⅞	129¾	4.47	4.66
2½pc '13	(89.2)	108⅞	-⅛	114⅞	108⅞	4.44	4.62
2½pc '16	(81.6)	115⅞	-⅛	121⅞	112⅞	4.48	4.56
2½pc '20	(83.0)	111⅞	-⅛	117¼	107⅞	4.36	4.51
2½pc '24‡‡	(97.7)	92⅛	-⅛	97⅞	89⅞	4.33	4.47
4⅛pc '30‡‡	(135.1)	94	-⅛	99⅛	94	4.30	4.45

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for January 1992 135.6 and for July 1992 138.8.

OTHER FIXED INTEREST

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
African Dev 11¼ 2010		111⅞	-⅛	115⅞	105⅞	9.99	9.76
Asian Dev 10¼pc 2009		105⅛	-⅛	108⅞	100⅛	9.74	9.62
B'ham 11½pc 2012		109¼	-¼	113½	102⅞	10.53	10.40
Ireland Cap 8½pc '10		98	-¼	99¼	88⅞	5.44	-
9pc Cap 1998		92⅞	---	99¼	90	8.70	-
13pc '97-02		108¼	+¼	113½	103⅞	12.24	-
Hydro Quebec 15pc 2011		138⅞	-⅛	141⅞	130⅞	10.97	10.47
Leeds 13½pc 2006		121½	-1	125	118¼	11.11	10.57
Liverpool 3½pc Irred		31½	---	34	30	11.11	-
LCC 3pc '20 Aft		30¼	+¼	31	27	9.92	-
Manchester 11½pc 2007		108	-1	111¼	103¼	10.65	10.44
Met. Wtr. 3pc 'B'		59½	-½	61	53	5.04	8.83
N'wide Anglia 3⅞pc 2021		105¼	-⅛	111¼	103¼	-	5.65
4⅛pc IL 2024		105¼	-⅛	110¼	103¼	-	3.36
Utd Mex States 16½pc 2008		123	---	128	121½	13.41	13.05

LONDON SHARE SERVICE

AMERICANS

Notes	Price £	+ or -	1992 high	1992 low	Mkt Cap £m	Yld Gr's
Abbott Labs h	15xd	-⅛	19⅛	14⅞	12,728	2.1
♥Allegheny & W.	390p	-10	398p	228p	155.9	5.2
Amdahl	642p	-35	1159p	642p	719.3	0.8
Amer Cyanamid	29⅝	-⅛	37	20⅝	2,708	2.9
Amer Express	10⅝xd	-⅛	13⅞	10⅞	4,957	5.1
Amer T & T	21¾xd	-⅛	24⅞	20⅛	28,186	3.3
Ameritech	34⅞	-⅛	38⅞	32½	15,269	5.3
BankAmerica	21¼xd	-⅞	27⅛	19⅞	7,288	3.2
Bankers NY	30⅛xd	-1⅛	37¼	28⅞	2,488	4.4
Bell Atlantic	24⅞	-⅛	28¼	23⅛	10,600	5.5
BellSouth	27⅛	-⅛	29⅛	25	13,280	5.3
♥Bethlehem Steel	5¾xd	-⅛	9⅞	5⅛	889.7	-
Bowater	987pxd	-	1679p	957p	345.1	6.6
CPC h	24⅛xd	-⅞	26¼	22⅛	3,891	2.8
♥Cadiz Land Inc.	128p	-	342p	128p	-	-
Campbell Soup	18⅞xd	-⅛	23⅞	17⅞	4,786	2.2
Chase Manhattan	11⅞xd	-⅛	18½	9⅛	1,589	5.3
Chrysler	9⅞xd	-½	11½	6⅛	2,884	3.2
Citicorp	[illegible]xd	-⅞	11¼	5⅞	2,899	-
Colgate-Palm.	27⅛xd	-⅛	29⅞	25⅛	4,356	2.4
Cont'l Bank	618p	-50	1038p	499p	826.6	3.8
Dana	18⅞xd	-⅞	24½	14⅞	617.4	4.6
Data General	384p	-4	1004p	384p	186.9	-
Dun & Brad	27¼	-⅛	33½	27⅞	4,951	4.3
Exxon	38	-½	46½	32½	1,308	3.0
Echlin	9xd	-⅛	11	7⅞	687.7	4.1
FPL	18½xd	-⅞	20	18⅛	3,380	6.9
Fluor	20⅛	-⅞	27	19¼	1,632	1.0
Ford Motor	19½xd	-1	26⅞	15	9,407	2.7
Gen Elect	37¼xd	-⅞	46¼	37¼	32,188	3.3
♥General Host	438p	-27	555p	380p	-	4.3
Gillette	27¼xd	-½	29⅞	23⅞	5,978	1.4
Hasbro	15	-⅞	16½	12⅞	1,292	0.7
Honeywell	32xd	-⅛	43	32	2,234	2.7
Houston Inds	22⅛	-⅛	25	22⅛	2,891	7.1
IBM	42¼xd	-⅞	54½	42⅞	24,398	5.9
Ingersoll-Rand	12⅞xd	-⅛	19⅞	12⅞	1,315	2.9
Lockheed	24⅛	-⅞	26⅞	22⅞	1,498	4.6
Loew's h	884p	-26	1273p	815½p	851.9	1.6
Merrill Lynch	24½xd	-⅞	30⅞	24⅛	2,821	2.6
Morgan (JP)	29½	-⅞	37½	28⅞	6,615	3.9
Morris (Philip)	39⅞xd	-⅞	45⅞	37⅞	38,679	2.3
NYNEX	42⅛	-⅞	44⅞	39⅞	8,842	5.7
Pall	13⅛	-	17⅞	10⅞	1,162	1.4
Pennzoil	26½xd	+⅛	30⅛	23⅛	1,872	5.9
Quaker Oats	30xd	-½	40⅞	28	2,241	3.0
Rockwell	12⅞xd	-⅛	16⅞	11½	2,868	3.7
Rep NY	21⅞xd	-⅞	26⅞	20⅞	1,111	2.4
Sears, Roebuck	20⅞xd	-⅛	26	19⅞	7,167	5.0
Sthwestern Bell	34⅛	-⅛	35⅞	31⅛	10,280	4.5
Sun Co	12⅞xd	-¼	16⅞	12⅞	1,313	7.8
Tenneco	19xd	-½	25⅞	15½	2,384	4.4
Texaco	32½xd	-⅛	36⅞	30⅞	8,402	5.2
Time Warner	51⅛xd	-2⅛	62⅛	46½	4,796	1.0
♥Unisys	337p	-	587p	320p	313.8	-
♥URS Inp. Inc.	0¼p	-	1⅛p	0⅛p	2.57	-
US West	19⅛	-⅛	21⅞	18⅞	7,891	5.8
Varity	932p	-7	1068p	632p	232.6	-
Waste Manage.	16¼xd	-⅞	28	16¼	8,852	1.7
Whirlpool	1851pxd	-51	2799p	1851p	1,304	3.1
♥Woolworth	14⅞	-⅞	18¼	13⅞	1,919	4.0

CANADIANS

Notes	Price £	+ or -	1992 high	1992 low	Mkt Cap £m	Yld Gr's
♥Abbot Energy	1¼p	-	2p	1¼p	-	-
Amer Barrick	1452p	+28	1842p	1268p	2,846	0.3
Bk Montreal	19¼	-½	23¼	19¼	2,341	4.6
Bk Nova Scot	998p	+3	1179p	899p	2,029	3.9
♥BC Gas	821p	-1	879p	821p	-	4.1
BCE	19½	+¼	24½	19¼	8,859	5.6
♥Brascan	783p	+2	957p	704p	829.3	5.7
♥Breakwater	16p	-3½	39p	6p	18.2	26.4
Can Imp Bk	1250p	-7	1610p	1157p	2,326	4.5
Can Pacific	894p	-9	939p	894p	2,212	1.9
4pc Deb	36½	-	38	34	17.1	11.0

[illegible]

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

BUILDING MATERIALS - Cont.

[illegible]

BUSINESS SERVICES

[illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

CONTRACTING & CONSTRUCTION - Cont.

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING - AEROSPACE

[illegible]

ENGINEERING - GENERAL

[illegible]

ENGINEERING - GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HOTELS & LEISURE

[illegible]

HOTELS & LEISURE - Cont.

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

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LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

[illegible]

Net asset values supplied by County NatWest Wood Mackenzie as a guide only. See guide to London Share Service.

INVESTMENT COMPANIES

[illegible]

Net asset values supplied by County NatWest Wood Mackenzie as a guide only. See guide to London Share Service.

MEDIA

[illegible]

MEDIA - Cont.

[illegible]

MERCHANT BANKS

[illegible]

METALS & METAL FORMING

[illegible]

MISCELLANEOUS

[illegible]

MOTORS

[illegible]

OIL & GAS

[illegible]

OIL & GAS - Cont.

[illegible]

OTHER FINANCIAL

[illegible]

OTHER INDUSTRIAL MATERIALS

[illegible]

PACKAGING, PAPER & PRINTING

[illegible]

PACKAGING, PAPER & PRINTING - Cont.

[illegible]

PROPERTY

[illegible]

STORES

[illegible]

STORES - Cont.

[illegible]

TELEPHONE NETWORKS

[illegible]

TEXTILES

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

SOUTH AFRICANS

[illegible]

PLANTATIONS

[illegible]

MINES

[illegible]

MINES - Cont.

[illegible]

Notes	Price	+or-	1992 high	low	Mkt Cap£m	Yld Gr's
‡‡Ivernia West IR	32	-1	53	32	16.1	–
‡‡Kells Mins IR	18	—	42	14	0.43	–
‡Kenmare	2¼	—	6½	2¼	2.16	–
Melinga Res	17	—	48	16½	1.88	–
‡‡Navan Res IR	23½	—	28	15	3.15	–
North West Expl A$	3	—	6	2	1.01	–
Oryx Gold $	54	-2	103	51	–	–
Plateau	3	—	13	3	1.37	–
RTZ	603	-11	669	469	5,848	5.2
Vizcaya	1¼	—	3	1	0.94	–
Western & Pac C$	15	+4½	66	7	1.23	–
Young Grp	14	—	110	4	2.11	‡

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT at 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ■ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement
- ♦ Unregulated collective investment scheme.

a Yield based on annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Flat yield. g Assumed dividend yield after rights issue. h Assumed dividend yield after scrip issue. n Rights issue pending. q Earnings based on preliminary figures. s Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. y Subject to local tax. z Dividend yield includes a special payment. E Auction basis. F Yield based on prospectus or other official estimates for 1990-91. G Assumed yield after pending scrip and/or rights issue. H Yield based on prospectus or other official estimates for 1991. K Yield based on prospectus or other official estimates for 1992-93. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1991-92. N Yield based on prospectus or other official estimates for 1992. P Figures based on prospectus or other official estimates for 1991. R Forecast annualised yield, p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xl ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1200 a year for each security shown, subject to the Editor's discretion.

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

AUTHORISED UNIT TRUSTS

AIB Unit Trust Managers Limited (1000)F
51 Belmont Rd, Uxbridge, Middx UB8 1RZ 0895 259783

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
AIB Grofund American	5	106.9	107.9	113.6	-2.58	0.00
AIB Grofund Equity	5	162.1	164.4	174.0	-1.08	2.80
AIB Grofund Euro ♦	5	122.5	124.3xd	130.8	-0.78	1.21
AIB Grofund Gilt	3	69.19	69.18xd	71.32	-0.22	6.51
AIB Grofund Japan	5	93.77	94.86	99.85	-1.46	0.00

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income						
Gilts & Fixed Int	6	119.3	119.3	126.6	-0.1	8.18
High Inc Equity	6	110.2	113.0xd	120.2	-1.0	7.07
Worldwide Bond	6	210.8	210.8xd	223.4	-0.8	6.37
Capital Growth						
American Growth	6	176.9	176.9	189.1	-4.8	.51
Asian Pacific	6	123.7	126.6	134.6	-2.8	.84
Assets & Earnings	6	164.9	164.9	176.3	-1.5	1.91
Capital Reserve Acc	0	117.6	117.6	117.6	+0.1	7.64
Capital Reserve Inc	0	86.95	86.95	86.95	+0.11	7.66
Commodity & Energy	6	55.53	55.53	59.39	-0.44	1.60
1992 Enterprise	6	62.25	62.25	66.57	-0.60	4.48
Euro Capital Acc	6	83.89	83.89	89.72	-1.06	1.26
Euro Capital Inc	6	79.49	79.49	85.01	-1.01	1.28
General	6	148.7	148.7xd	159.0	-1.7	3.65
Japan	6	65.68	65.68	70.24	-1.15	-
Mastertrust	6	78.46	78.46	83.91	-0.97	2.80

Mercury Fund Managers Ltd (1000)H
33 King William St, EC4R 9AS 071-280 2060

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American	5	117.7	117.7	125.3	-3.40	0.00
(Accum Units)	5	125.8	125.8	133.9	-3.60	0.00
American Opps	5	47.16	47.16	50.31	-1.24	0.00
(Accum Units)	5	47.80	47.80	50.99	-1.26	0.00
British Blue Chip	5	57.80	57.88	61.74	-0.66	4.32
(Accum Units)	5	66.11	66.20	70.62	-0.75	4.32
Cash *	0	100.8	100.8	100.8	...	9.76
(Accum Units) *	0	124.3	124.3	124.3	...	9.76
European Growth	5	145.5	145.5xd	151.9	-3.20	0.58
(Accum Units)	5	155.9	155.9xd	166.9	-3.50	0.58
European Income	5	57.86	57.86	61.34	-0.98	3.83
(Accum Units)	5	72.42	72.42	76.66	-1.21	3.83
General	5	353.1	354.9	378.6	-3.00	3.38
(Accum Units)	5	656.2	659.7	703.7	-5.60	3.38

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often well above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point, a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH. Tel: 071 - 379 - 0444.

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FT MANAGED FUNDS SERVICE

…n FT Cityline. Calls charged at 36p/minute cheap rate …ain a free Unit Trust Code Booklet ring (071) 925-2128.

	Init Chrg	Canc Price	Bid Price	Offer Price	+ or -	Yield Grs
Stewart Ivory Unit Tst Mgrs Ltd (1200)H						
45 Charlotte Sq, Edinburgh 031-226 3271						
American	5	238.4	238.4	253.4	-3.5	0.95
(Accum Units)	5	280.6	280.6	298.3	-4.1	0.95
British	5	729.7	740.0	789.3	-6.4	6.82
(Accum Units)	5	1323.7	1251.0	1323.7	-10.7	6.82
Canada	5	324.8	324.8	345.7	-0.2	1.40
(Accum Units)	5	352.1	352.1	374.7	-0.3	1.40
Japan	5	82.37	82.37	87.58	-0.26	-
(Accum Units)	5	83.03	83.03	88.28	-0.77	-
New Pacific	5	178.6	179.2	190.8	-4.4	1.65
(Accum Units)	5	185.9	186.2	198.2	-4.6	1.65
Income Tst Aug 21	5	126.6	129.0	136.7		2.50
Mngd Equity	5	114.2	115.4	122.1	-1.3	2.22
Mngd Equity Acc	5	123.6	124.9	132.1	-1.4	2.22
Mngd Cash	0	96.37	96.37	96.37		9.34
(Accum Units)	0	123.2	123.2	123.2		9.34
Majority Stg	1	100.52	100.52	101.52	+0.02	9.22
Majority Stg Acc	1	113.39	113.39	114.51	+0.02	9.22
Storebrand Intl Inv Mngrs Ltd (1200)F						
Admin: 5 Rayleigh Rd, Hutton, Brentwood, Essex						
Enquiries 0277 227300 Dealing 0277 261010						
International Aug 14	0	47.43	47.45	47.78		10.88
Sun Alliance Unit Tst Mngmt Ltd (1200)F						
Admin: 5 Rayleigh Rd, Hutton, Brentwood, Essex						
Enquiries 0277 227300 Dealing 0277 690300						
Equity	6	542.9	549.2	585.1	-10.3	3.48
North America	6	70.60	71.56	76.53	-1.95	0.84
Far East	6	72.34	73.15	78.24	-1.32	0.59
W'wide Bond	6	47.10	47.18	50.19	-0.38	6.13
European	6	61.08	61.50	65.78	-1.10	1.58
Equity Income	6	61.17	61.95	66.26	-1.04	5.64
Portfolio	6	51.36	51.36	54.93	-1.57	2.08
UK Leading Cos	6	41.14	41.70	44.36	-0.6	3.35
Broker Trusts						
Intnl Equity	6	40.03	40.49	43.30	-0.46	3.15
Sun Life of Canada Unit Mgrs Ltd (1000)H						
Basingview, Basingstoke, Hants 0800 525725						
American Growth	6	23.97	23.97	25.64	-0.49	0.60
Managed Assets	6	92.34	93.01	99.48	-1.08	4.67
UK Income	6	27.92	28.24	30.21	-0.28	5.45
UK Growth	6	28.48	28.83	30.84	-0.39	3.65
Worldwide Growth	6	20.78	20.78	22.23	-0.40	2.34

Sun Life Trust Mngmt Ltd (1200)H

	Bid Price	Offer Price	+ or -	Yield Grs
Lazard Investors Ltd				
Exempt Funds				
Small Co's Aug 19	£3687.5	3920xd		3.86
European Aug 19	£554.3	590.1		2.04
American Aug 19	£324.1	326.9		1.80
Japan Aug 19	£335.4	340.2		1.91
Pacific Aug 14	£128.5	132.4		1.32
W.Wide Bond Jul 31	£119.30	131.90		2.69
Local Authorities Mutual Invest. Tst.*				
2 Fore Street, London EC2Y 5AQ 071-588 1815				
Property Jul 31	189.50	199.50		8.20
Equity Jul 31	824.75	836.50		4.00
* Available only to Local Authorities				
M & G Securities Ltd				
Charibond Aug 24		102.42xd	-0.8	10.53
(Accum Units)		453.38	-3.5	10.53
MAACIF Aug 18		39.00xd		9.32
Morgan Grenfell Investment Funds Ltd				
Exempt Funds				
UK Equity † Aug 25	117.0	126.0	-3.30	2.17
UK Small Co † Aug 25	432.0	476.9	-6.40	4.21
Fixed Interest † Aug 25	110.6	116.3	-1.10	8.60
US Small Co Aug 25	131.1	141.2	-7.90	0.00
Managed Aug 25	98.35	105.5	-2.60	3.60
Intl Bond Aug 25	123.5	130.3	-1.70	9.88
Japan Aug 25	53.10	56.60	-1.87	3.42
European Aug 25	84.44	90.63	-2.50	1.85
Nth American Aug 25	97.16	104.5	-4.60	1.50
Morgan Stanley International				
UK Exempt	£905.27	929.15		-
Overseas Exempt	£914.91	942.86		-
Murray Johnstone UT Mngmt				
Murray Exempt Funds				
American Exempt	46.26	48.07xd	-1.14	1.62
European Exempt	44.95	46.38xd	-0.34	3.27
Fixed Int Ex Aug 19	40.69	47.34		9.05
Japan Exempt	30.97	31.85	-0.67	0.90
Managed Ex Aug 20	41.26	42.34		4.38
SE Asia Exempt	65.77	68.69	-1.53	2.36
Sm Cos Expt Aug 19	31.14	32.70		3.74
UK Eqty Ex Aug 19	37.65	39.20xd		4.79
Phillips & Drew Fund Management Ltd				
Small Co's Aug 6				4.22

	Bid Price	Offer Price	+ or -	Yield Gross
Century Life Plc – Contd.				
Pension Funds				
Managed Capital	65.6	69.0	-1.0	-
Managed Accum	95.3	100.3	-1.4	-
Property Capital	65.7	69.2	-1.3	-
Property Accum	95.3	100.4	-2.0	-
Equity Capital	95.2	100.2	-1.2	-
Equity Accum	138.4	145.7	-1.6	-
Intl Capital	59.8	63.0	-1.3	-
Intl Accum	86.9	91.4	-2.0	-
Fxd Int Capital	119.9	126.2	-1.5	-
Fxd Int Accum	174.0	183.2	-2.2	-
Deposit Capital	122.4	128.9		-
Deposit Accum	178.0	187.3		-

	Bid Price	Offer Price	+ or -	Yield Gross
Equitable Life Assurance Society				
Walton St, Aylesbury Bucks HP21 7QW 0296 393100				
European	113.8	119.8	-1.7	-
Far Eastern	272.3	286.6	-0.9	-
Fd of Inv Tsts	214.2	225.5	-1.7	-
Gilt & Fixed Int	177.0	186.3	-1.0	-
High Income	242.1	254.8	-2.0	-
Intnl Growth	135.7	142.8	-0.7	-
Managed	173.4	182.5	-1.3	-
Money	165.8	174.5	+0.1	-
North American	155.8	164.0	-0.8	-
Pelican	198.2	208.6	-1.7	-
Property	173.4	182.5		-
Smaller Companies	111.7	117.6	-0.5	-

	Bid Price	Offer Price	+ or -	Yield Gross
Henderson Administration(z)				
3 Finsbury Ave, London EC2M 2PA 071-638 5757				
UK Equity	288.6	304.9	-5.2	-
Fixed Interest	165.3	69.5	-0.2	-
N. America	233.6	248.6	-6.0	-
Far East	304.7	324.2	-2.8	-
Global Managed	295.0	313.9	-5.1	-
Deposit	210.7	221.8		-
Prime Res	132.6	139.6		-
European	175.9	187.2	-1.4	-
Pension Funds				
UK Equity	311.8	331.8	-6.6	-
Fixed Interest	233.4	248.3	-0.3	-

	Bid Price	Offer Price	+ or -	Yield Gross
Life Association of Scotland				
113 Dundas St, Edinburgh EH3 5EB 031-550 5000				
LAS Investment Assurance				
Managed Fund	244.6	257.5	-2.4	-
UK Equity	411.2	432.9	-3.6	-
Property	279.3	294.0		-
Money Market	232.4	244.7	+0.1	-
Fixed Interest	269.0	283.2	-1.7	-
Japan	214.5	225.8	-3.4	-
North America	111.2	117.1	-2.2	-
International	188.7	198.7	-2.7	-
European	183.4	193.1	-0.8	-
Far East	71.7	75.5	-0.9	-
Pension Funds				

	Bid Price	Offer Price	+ or -	Yield Gross
NEL Britannia Assce Co Ltd – Contd.				
Barings Equity Income	84.9	89.4	-1.0	-
Barings European Growth	102.7	108.1	-1.4	-
Barings German Growth	93.8	98.7	-1.2	-
Barings Japan Growth	77.5	81.6	+0.7	-
Barings UK Smllr Cos	81.3	85.6	-0.9	-
Fidelity 1992 Euro Opps	96.9	102.0	-0.5	-
Fidelity American	107.2	112.8	-2.4	-
Fidelity Amer Sp Sits	116.2	122.3	-2.6	-
Fidelity Asian	108.2	113.9	-1.6	-
Fidelity European	85.8	90.3	-1.1	-
Fidelity Euro Inc	96.1	101.2	-0.8	-
Fidelity Famous Names	104.2	109.7	-1.0	-

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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Pearl Assurance (Unit Funds) Ltd

Provident Mutual Life Assc. Assn.—Contd.

Scottish Amicable

Sun Alliance Group

Windsor Life Assur Co Ltd—Contd.

Royal Life Intl. Ltd—Contd.

Fidelity Money Funds—Contd.

Sarasin Funds Mngmt (Guernsey) Ltd

Royal Skandia Life Assurance Ltd

Schroder Investment Mngmt (Guernsey) Ltd

GUERNSEY (REGULATED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

OFFSHORE INSURANCES

MANAGEMENT SERVICES

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)

ISLE OF MAN (SIB RECOGNISED)

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

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Leopold Joseph Fund Mngrs (IoM) Ltd

Mercury Fund Managers IoM Ltd

Sun Life Management (IoM) Ltd

ISLE OF MAN (REGULATED)

JERSEY (SIB RECOGNISED)

Commercial Union Luxembourg SA—Contd.

LUXEMBOURG (SIB RECOGNISED)

Midland Internatnl Circuit Fund SICAV(u)

LUXEMBOURG (REGULATED)

Eurecu Management S.A.

Europe Plus Investissement (SICAV) (u)

Europe Value Fund (u)

Fidelity Intl Inv Mngt (Luxembourg) SA

Fidelity Investment (CI) Ltd

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

Aetna Malaysian Growth Fd (Cayman) Ltd

Alliance Capital

Asian Convertibles & Income Fd (Cayman)

Global Asset Management

North Star Fund Managers—Contd.

Northfield International Ltd

Odey Asset Management Limited

JERSEY (REGULATED)

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Close shave for sterling

STERLING fell within ½ pfennig of its floor against the D-Mark in the European exchange rate mechanism yesterday, but the Bank of England narrowly avoided the need to support the currency through intervention, *writes James Blitz.*

After a comparatively quiet morning in European trading, the pound and the Italian lira fell sharply against the D-Mark after an opinion poll indicated that 51 per cent of the French population would vote against the Maastricht treaty in next month's referendum.

The prospect of European monetary union collapsing has become a strong incentive for investing in D-Marks as a safe haven. Sterling dived to an offered rate of DM2.7820, compared to its floor of DM2.7780. The Italian lira was offered at L764.5 per D-Mark, compared with its floor of L765. Both falls threatened interest rate rises.

In London the government continued to insist that it would do "whatever was necessary" to protect the pound's parity within the ERM.

The two currencies rebounded from their lows after another French opinion poll came out showing 51 per cent in favour of Maastricht.

However, Mr Mark Brett, chief economist at Barclays de Zoete Wedd in London, said it was pointless to buy sterling on the back of the second poll. "If only 51 per cent vote in favour of Maastricht in France, the treaty will be politically dead anyway," he added.

The Bank of England may have been saved from having to intervene because the French opinion polls were released at 3pm. ERM rules only operate between 8am and 4pm in London time, so the Bank no longer needed to intervene after an hour.

Sterling closed in London 1½ pfennigs down at DM2.7875. Today, the Bundesbank carries out its weekly intervention in the market. If it withdraws funds from circulation to keep in line with its monetary growth targets, it will push up call money rates. This will scare sterling holders into thinking there will be another Lombard rate rise.

The D-Mark also gained substantially against the French franc, ending at FFr3.413 from a previous FFr3.405. A measure of the German currency's strength over Europe is that it has moved up two places in the EMS grid. It is now third from the top of the grid, narrowly behind the Belgian and Spanish currencies.

The dollar had a quiet morning in Europe but was rocked by poorer than expected August consumer confidence figures. The conference board index was expected to rise to 63 per cent from July's 61.2 per cent but dropped to 58 per cent, its lowest since March.

The US currency quickly fell from DM1.4010 to a low of DM1.3940, but clambered back to end in London at DM1.4000, down 35 basis points. In New York it closed at DM1.4022.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Aug 25	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	131.550	-1.56	5.75	26
Belgian Franc	42.4032	41.7912	-1.44	5.63	45
D-Mark	2.05586	2.02718	-1.40	5.58	56
Dutch Guilder	2.31643	2.28550	-1.34	5.51	40
Portuguese Escudo	178.735	177.033	-0.95	5.11	14
Irish Punt	0.767417	0.765643	-0.23	4.35	-13
Danish Krone	7.84195	7.84766	0.07	4.03	-27
French Franc	6.89509	6.92025	0.36	3.73	-48
Italian Lira	1538.24	1549.05	0.70	3.38	-60
Sterling	0.696904	0.725513	4.11	0.00	-80

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu, a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times

POUND SPOT - FORWARD AGAINST THE POUND

Aug 25	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.9875 - 1.9920	1.9905 - 1.9915	1.24-1.22cpm	7.41	3.59-3.56pm	7.18
Canada	2.3605 - 2.3750	2.3655 - 2.3665	1.16-1.09cpm	5.71	3.34-3.25pm	5.57
Netherlands	3.1375 - 3.1525	3.1375 - 3.1475	¼-⅛cpm	0.72	⅝-⅜pm	0.64
Belgium	57.40 - 57.85	57.50 - 57.60	5-1cpm	0.63	13-7pm	0.70
Denmark	10.7550 - 10.8400	10.7850 - 10.7950	¼-1½oredis	-1.25	2¼-3½dis	-1.04
Ireland	1.0520 - 1.0575	1.0525 - 1.0535	0.03-parcpm	0.17	0.07-0.01pm	0.15
Germany	2.7850 - 2.8000	2.7850 - 2.7900	¼-⅛pfpm	0.81	⅝-⅜pm	0.72
Portugal	243.50 - 246.00	243.50 - 244.00	45-175cdis	-5.42	145-510dis	-5.37
Spain	179.10 - 181.45	181.15 - 181.45	40-50cdis	-2.98	120-135dis	-2.81
Italy	2129.00 - 2139.25	2129.75 - 2130.75	10-12liredis	-6.20	28-31dis	-5.54
Norway	10.9975 - 11.0700	11.0600 - 11.0700	1½-2oredis	-1.69	1⅝-3⅛dis	-0.86
France	9.4925 - 9.5600	9.5075 - 9.5175	⅛-parcpm	0.16	⅛-parpm	0.08
Sweden	10.1650 - 10.2775	10.2000 - 10.2100	2⅝-3¼oredis	-3.45	7½-8¼dis	-3.01
Japan	247.75 - 249.25	248.00 - 249.00	1½-1⅜ypm	6.94	4¼-4pm	6.64
Austria	19.61 - 19.75	19.63 - 19.66	2½-1⅝grocpm	1.18	4⅝-4pm	0.88
Switzerland	2.4675 - 2.4925	2.4775 - 2.4875	⅝-½cpm	2.72	1⅝-1½pm	2.62
Ecu	1.3795 - 1.3860	1.3815 - 1.3825	0.05-0.10cdis	-0.65	0.15-0.20dis	-0.51

Commercial rates taken towards the end of London trading. Six-month forward dollar 6.95-6.90pm. 12 Month 12.88-12.78pm.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Aug 25	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.9875 - 1.9920	1.9905 - 1.9915	1.24-1.22cpm	7.41	3.59-3.56pm	7.18
Ireland†	1.8800 - 1.8950	1.8850 - 1.8860	1.20-1.17cpm	7.59	3.41-3.36pm	7.18
Canada	1.1880 - 1.1905	1.1890 - 1.1900	0.16-0.12cdis	-1.72	0.44-0.48dis	-1.55
Netherlands	1.5725 - 1.5875	1.5760 - 1.5790	0.89-0.92cdis	-6.88	2.56-2.61dis	-6.55
Belgium	28.75 - 29.05	28.85 - 28.95	15.00-17.00cdis	-6.64	45.00-48.00dis	-6.44
Denmark	5.4150 - 5.4475	5.4175 - 5.4225	3.70-4.00oredis	-8.52	10.65-11.25dis	-8.08

FINANCIAL FUTURES AND OPTIONS

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls September	Calls December	Calls March	Puts September	Puts December	Puts March
104	0.44	1.87	-	0.22	1.32	1.19
105	0.04	1.34	1.74	0.81	1.72	1.60
106	0.01	0.89	1.30	1.76	2.21	2.11
107	-	0.67	-	-	2.86	-
108	-	0.37	-	-	-	-
Open Int	155,450	242,260	39,685	108,842	117,869	22,800

Estimated volume 87,858 † Total Open Interest 686,906
† All Yield & Open Interest figures are for the previous day

BASE LENDING RATES

	%		%		%
Adam & Company	10	Credit Lyonnais	10	McDonnell Douglas Bank	10
Allied Trust Bank	10	Cyprus Popular Bk	10	Midland Bank	10
AIB Bank	10	Dao Heng Bank Plc	11	Mount Banking	10
● Henry Ansbacher	10	Duncan Lawrie	10	NatWestminster	10
B & C Merchant Bank	10.5	Equatorial Bank plc	10	Northern Bank Ltd	10
Bank of Baroda	10	Exeter Bank Limited	10.5	Nykredit Mortgage Bank	10.5
Banco Bilbao Vizcaya	10	Financial & Gen. Bank	10	Provincial Bank PLC	14
Bank of Cyprus	10	● Robert Fleming & Co.	10	● Rea Brothers	10
Bank of Ireland	10	Robert Fraser & Ptnrs.	10.5	Roxburghe Bank Ltd.	11
Bank of India	10	Girobank	10	Royal Bk of Scotland	10
Bank of Scotland	10	● Guinness Mahon	10	● Smith & Williamson Secs.	10
Banque Belge Ltd	10	Habib Bank AG Zurich	10	Standard Chartered	10
Barclays Bank	10	● Hambros Bank	10	TSB	10
Brit Bk of Mid East	10	Hampshire Trust Plc	13.5	Unibank plc	10
● Brown Shipley	10	Heritable & Gen Inv Bnk.	10	● United Bk of Kuwait	10
CL Bank Nederland	10	● Hill Samuel	10	Unity Trust Bank Plc	10
Citibank NA	10	C. Hoare & Co.	10	Western Trust	10
City Merchants Bank	10	Hongkong & Shanghai	10	Whiteaway Laidlaw	10
Clydesdale Bank	10	Julian Hodge Bank	10	Yorkshire Bank	10
Co-operative Bank	10	● Leopold Joseph & Sons	10		
Coutts & Co	10	Lloyds Bank	10		
		Meghraj Bank Ltd.	10		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

Futures dive

STERLING cash and futures prices discounted a full percentage point rise in base rates yesterday after the pound came close to touching its ERM floor against the D-Mark on the foreign exchanges.

Short sterling futures dived again in the early afternoon as the pound touched DM2.7860, less than a pfennig from its ERM floor. News of an opinion poll showing that a majority of French will vote against the Maastricht treaty next month worsened spirits. The September contract fell 22 basis points from its previous close, to 88.98. The December contract dipped 26 basis points from its previous close to a low of 89.00. Volumes were very high, at over 50,000 lots.

In the sterling cash market, period rates firmed even further. Three-month money rose to 10⅞ per cent on the offered side from its previous close of 10$\frac{13}{16}$ per cent. All period rates from six-months out closed at 11 per cent on the offered side for the first time. The one-year rate had previously finished at 10⅞ per cent.

Several dealers suggested that the British government may have missed its chance to turn the market by not lifting interest rates yesterday. "If they raise rates to 11 per cent tomorrow, they will find that the market is already lending money at that figure," said one dealer. "Eleven per cent base rates may not be enough to save the pound."

The only relief appeared to be in the Eurodeutschmark futures market, which rose on hopes of a cut in short-term German interest rates. At one stage, the September contract was up 3 basis points from its opening level at 90.39.

The Bank of England was highly accommodating in its operations, dealing in all four bands and the repurchase agreement (repo) at the rates established on Monday.

The Bank forecast a shortage of £950m. In the morning, it bought £50m of Band 2 bank bills at 9⅞ per cent, £15m of Band 3 bank bills at 9⅞ per cent, £2m of Band 3 LA bills, £184m of Band 3 bank bills, £9m of Band 4 LA bills at 9$\frac{13}{16}$ per cent and £226m of Band 4 bank bills.

Later the Bank bought £5m in Band 1 bank bills at 9⅞ per cent, £50m of Band 2 bank bills, £69m of Band 3 Treasury bills, £252m of Band 3 bank bills, £3m of Band 3 Treasury bills, £145m in Band 4 bank bills, and £60m in the repo.

UK clearing bank base lending rate 10 per cent from May 5, 1992

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

Aug 25	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	10	10	10⅝	10$\frac{13}{16}$	11	11
Interbank Bid	[illegible]	9½	10⅝	10$\frac{11}{16}$	10¾	10¾
Sterling CDs	-	-	10½	10$\frac{11}{16}$	10$\frac{13}{16}$	10$\frac{13}{16}$
Local Authority Deps.	9¾	9⅞	10¼	10⅝	10⅝	10⅝
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	9¾	9¾	-	-	-	-
Company Deposits	-	-	-	-	-	-
Finance House Deposits	-	-	10½	10⅝	10$\frac{13}{16}$	10$\frac{13}{16}$
Treasury Bills (Buy)	-	-	10	10⅛	10⅛	-
Bank Bills (Buy)	-	-	10$\frac{1}{16}$	10$\frac{3}{16}$	10$\frac{5}{16}$	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs	-	-	3.34	3.36	3.41	3.55
SDR Linked Dep. Offer	-	-	6⅛	6⅛	6¼	6⅜
SDR Linked Dep. Bid	-	-	5$\frac{15}{16}$	6$\frac{1}{16}$	6⅛	6¼
ECU Linked Dep. Offer	-	-	11	11⅛	11⅛	11
ECU Linked Dep. Bid	-	-	10$\frac{13}{16}$	10⅞	10⅞	10$\frac{13}{16}$

Treasury Bills (sell): one-month 9⅞ per cent; three months 9$\frac{13}{16}$ per cent; six months 9$\frac{13}{16}$ per cent; Bank Bills (sell): one-month 9$\frac{13}{16}$ per cent; three months 10$\frac{1}{16}$ per cent; Treasury Bills: Average tender rate of discount 9.6875 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day July 31 1992. Agreed rates for period August 26, 1992 to September 22, 1992, Scheme I: 11.27 p.c. Schemes II & III: 11.46 p.c. Reference rate for period July 1, 1992 to July 31, 1992, Scheme IV & V: 10.186 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 10½ from August 1, 1992; Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 9½ per cent, one-three months 9 per cent, three-six months 9 per cent; six-nine months 8½ per cent; nine-twelve months 8½ per cent. Under £100,000 7 per cent from May 6 1992. Deposits withdrawn for cash 5 per cent.

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

CROSSWORD

No.7,935 Set by CINEPHILE

ACROSS

1 Muscle on top of back – some special back (6)
4 Rubber beetle? (6)
8 Demonology? Say please! (7)
9 Elucidate, as one does to butter (7)
11 Falcon and quadruped in Morris? (5-5)
12 Abandoned outbuilding (4)
13 Leave to go and start freezing (5)
14 Invite strange gent to produce a nice little piece (8)
16 Grey alloy revealed by "left for right" argument (8)
18 Structure that draws? (5)
20 Friend of small church? I'm not sure (4)
21 Soft fruit began going bad in transport (10)
23 Points in rating of weapon (7)
24 Historian of time and falconry (7)
25 Appropriate support for monarch (6)
26 Sins and nightshade can be (6)

DOWN

1 In my job I'm bound to be a sex object (5)
2 Shakespearean monster in cabal, possibly (7)
3 Dry people, half TT, for old writers (9)
5 Possess round number to divide by 2 (5)
6 Look ahead to making deposits in money (7)
7 Mirror reader following umpire (9)
10 Organised gripe about detestable favoured position (9)
13 In prison an expression of disgust at doctor giving lozenge (5,4)
15 Inelegant way to address motorists before junction? (3,2,4)
17 Reminder, one about broken net (7)
19 West thought long ago to be destroyed (7)
21 Left on one side, ie the shelf (5)
22 Liquid like mead, say? (5)

Solution to Puzzle No.7,934

CORPORAL OFFEND / BEETROOT TROPIC / NUMERATE LACUNA / CONSUMMATE / BROADSHEET / ENTOMB ESCAPADE / VACANT OBSOLETE / RESIST PENNINES

WORLD STOCK MARKETS

INDICES

NEW YORK

DOW JONES	Aug 25	Aug 24	Aug 21	Aug 20	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3232 22	3228 17	3254 10	3304 89	3413 21 (1/6)	3172 41 (2/1)	3413 21 (1/6/92)	41 22 (2/7/32)
Home Bonds	102 24	102 27	102 46	102 42	102 47 (19/8)	98 41 (20/3)	102 47 (18/8/92)	54 99 (1/10/81)
Transport	1216 47	1217 81	1237 55	1256 52	1467 68 (20/2)	1216 47 (25/8)	1532 01 (5/9/89)	12 32 (8/7/32)
Utilities	217 76	218 52	220 77	220 14	225 59 (3/1)	200 74 (8/4)	236 23 (2/1/90)	10 50 (8/4/32)

DJ Indl Day's High 3253 02 (3258 43) Low 3200 89 (3207 10) (Theoretical)
Day's High 3234 92 (3254 10) Low 3207 37 (3223 04) (Actual)

STANDARD AND POOR'S

	Aug 25	Aug 24	Aug 21	Aug 20	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	411 61	410 72	414 85	418 26	425 09 (3/8)	394 50 (8/4)	425 09 (3/8/92)	4 40 (1/6/32)
Industrials	483 51	482 29	486 45	491 26	499 51 (3/8)	470 91 (8/4)	499 51 (3/8/92)	3 62 (21/6/32)
Financial	34 58	34 65	35 33	35 46	36 66 (3/8)	32 40 (8/4)	36 66 (3/8/92)	8 64 (1/10/74)
NYSE Composite	226 47	226 34	228 61	230 38	233 66 (3/8)	217 92 (8/4)	233 66 (3/8/92)	4 46 (25/4/42)
Amex Mkt. Value	379 52	380 90	384 31	385 87	418 99 (12/2)	374 04 (26/6)	418 99 (12/2/92)	29 31 (9/12/72)
NASDAQ Composite	554 22	555 39	563 70	567 86	644 92 (12/2)	547 84 (26/6)	644 92 (12/2/92)	54 87 (31/10/72)

	Aug 21	Aug 14	Aug 7	year ago (approx.)
Dow Industrial Div Yield	3 17	3 11	3 12	3 01

	Aug 19	Aug 12	Aug 5	year ago (approx.)
S & P Industrial div yield	2 62	2 62	2 59	2 70
S & P Indl P/E ratio	29 06	29 00	29 34	21 31

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
First Union	6,913,500	36 1/8	+ 1/8
Gen Motors	4,378,100	33 7/8	- 1/8
RJR Nabisco	3,053,900	8 1/8	- 1/8
Telefonos	2,715,200	43 5/8	
Maytag	2,201,200	12 7/8	
NationsBank	2,011,000	43 1/2	+ 1/2
Walt Disney	1,936,200	33	+ 1/8
IBM	1,898,600	87	+ 1 7/8
Chrysler	1,876,200	19 1/2	...
Ford Motor	1,667,700	40 1/8	+ 1 1/8

TRADING ACTIVITY

† Volume (Millions)	Aug 25	Aug 24	Aug 21
New York SE	201 620	165 130	202 640
Amex	10 235	10 389	16 886
NASDAQ	(u)	138 458	167 300
NYSE			
Issues Traded	2,325	2,337	2,331
Rises	736	392	667
Falls	989	1,505	1,044
Unchanged	600	440	620
New Highs	26	30	78
New Lows	62	77	36

CANADA

TORONTO	Aug 25	Aug 24	Aug 21	Aug 20	1992 HIGH	1992 LOW
Metals & Minerals	2952.24	2946 04	2967 08	3001 90	3238.87 (16/1)	2828.26 (8/4)
Composite	3375.82	3380.79	3390 32	3403 66	3666.00 (16/1)	3318 10 (8/4)
MONTREAL Portfolio	1769.70	1772 92	1781 83	1793 27	1937 59 (16/1)	1727 04 (8/4)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. ‡ Excluding bonds ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed (u) Unavailable. † The DJ Indl index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock, whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's)

Euro Top-100 (26/6/90)	793.32	805 90	824 77	819 79

**Saturday August 22: Taiwan Weighted Price: 3822.81, Korea Comp Ex [illegible]
& Subject to official recalculation
Base values of all indices are 100 except: Austria Traded, BEL20, HEX General [illegible] and DAX – 1,000. JSE Gold – 255 7. JSE 26 Industrials – 264 3 and Australia [illegible] Closed (u) Unavailable

TOKYO - Most Active Stocks

Tuesday, August 25, 1992

	Stocks Traded	Closing Prices	Change on day
Green Cross	18.8m	1,280	+300
Jpn Mtl & Chem	10 3m	680	+13
Nippon Jutaki	8.7m	476	+75
Suzuki Motor	7.3m	839	+28
Toshiba Corp	5.9m	550	+80
Ricoh Co	5.8m	590	+5
Konica Corp	5.2m	739	+52
Okamoto Inds	5.1m	1,160	-30
Sato Kogyo Co	5.0m	865	+26
Toshiba Corp	4.7m	836	-10

4 pm close August 25

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15⅞	11⅞	AAR Corp	0.48	3.8	20	38	12⅞	12⅝	12¾	+⅛
25	18	A L Labs A	0.16	0.9	78	686	21⅛	20⅞	21⅛	+⅛
69¾	62⅝	AMP Inc	1.52	2.8	21	2404	53⅝	52⅞	53½	+⅜
80¼	56	AMR				204380	57½	56⅝	57½	+⅝
2⅝	1⅛	ARX			18	22	1⅝	1⅝	1⅝	
53½	35⅞	ASA x	2.00	5.4	24	233	37	36⅝	36⅞	−⅛
34¼	26¼	Abbott Lab	0.60	2.0	21	8983	30½	29¾	30¼	+¼
13⅞	11⅞	Abitibi Pr	0.50	4.2		6z100	11⅞	d11⅞	12	
11⅝	10⅛	ACM Gvt In	1.08	9.8		122	11⅛	11	11	−⅛
10⅛	9⅛	ACM GvOpp	0.82	9.4		55	9⅞	9⅝	9¾	+⅛
9½	8½	ACM Gvt Sp	0.82	8.7		200	u9½	9¼	9⅜	
11¼	10⅛	ACM Gvt Se x	1.08	9.9		543	11	10⅞	10⅞	−⅛
10¼	8⅝	ACM Man	0.95	9.6		299	u10¼	10⅛	10¼	+⅛
12⅞	10½	ACM Managd	0.99	9.3		179	10⅞	10⅝	10⅝	
11¼	4¾	Acme Cleve	0.40	6.3	12	205	6⅜	6⅜	6⅜	−⅛
6¼	4⅛	Acme Elect			38	6	4⅞	4⅞	4⅞	−⅛
33¼	17⅛	Acuson			11	608	17½	17¼	17½	+⅛
19½	18⅛	Adams Expr x	0.48	2.5	0	297	19⅝	18¾	19⅝	+⅜
49⅛	29½	Ad Micro	3.00	8.6		150	35½	35¼	35½	+¼
21½	7½	Ad Micro P	3.00	32.9		35347	9¼	8½	9⅛	+⅝
9⅛	5	Advest Grp	0.18	3.2	71	88	5⅛	d4⅞	5	
37¾	33	Aegon ADR	1.68	4.5	7	4	37⅜	37⅛	37½	
47	38⅞	Aetna Lf	2.76	7.1		91969	39	38⅝	38⅝	−⅜
12¾	8⅛	AHR A	0.24	2.1	14	667	11⅝	11¼	11⅝	+¼
34	24	Aflac	0.44	1.4	15	1046	32	30⅞	31⅛	−½
19⅞	15⅛	Ahmanson	0.88	5.5	7	1171	15⅞	15¾	15⅞	
22½	5⅝	Aileen Inc			5	245	6½	d5⅝	5⅞	−⅜
46½	38½	Air Pr Chm	0.86	2.1	17	2249	41	40⅜	40⅞	−⅞
29¾	12⅛	Airbne Frt x	0.30	2.3	25	146	12⅞	12¾	12⅞	+¼
34¼	22⅝	Airgas Inc			28	77	31⅛	30	30⅛	−⅛
12⅛	8⅛	Airlease	1.68	14.5	8	78	11¾	11⅝	11⅝	−⅛
104	99½	AlaPw8.16	8.16	7.9		z100	u104	104	103	−1
106½	101½	Alab Pw 9P	9.00	8.6		z100	104½	104½	104½	
105	100¼	Alab 8.28G	8.28	8.0		z100	104½	104½	104	−½
11¼	10½	AlaPwDpPf	0.87	8.0		26	10⅞	10¾	10⅞	+⅛
23⅞	17⅛	Alaska Air	0.20	1.2	9	71	17⅜	17¼	17¼	−⅛
21⅛	13⅞	Albany Int	0.35	2.4	56	191	14⅝	14⅝	14⅝	
32	21¼	AlCulvr B	0.24	1.0	18	102	24½	23⅞	24⅜	+⅜
25¾	19⅝	AlCulvr A	0.24	1.1	20	74	22⅝	22⅛	22⅝	+¼
44⅞	36¾	Albertsons	0.64	1.6	20	3094	40⅛	39⅞	40	+¼
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
41¼	29⅞	Brinkerint			29	900	35	34¼	34¾	−⅝
90¼	62¼	Bristol M	2.76	4.1	16	9380	67⅜	66	67¼	+1⅜
57½	39½	Brit Airwy	3.44	7.5	7	632	45⅜	45	45⅜	+⅛
49½	40¼	Brit Gas	3.88	8.2	11	148	47¼	46⅞	47	−1
65⅛	43⅞	BP ADR x	3.60	8.1	1	86550	44⅞	44	44⅝	
31⅞	27⅞	BP Prudhoe	3.15	10.2	7	184	31	30⅞	31	
1⅞	⅛	BP Wts93				295	0.09	d⅛	0.09	
15⅞	10¼	Brit Steel	0.94	9.4	5	1458	10¼	d9½	10	−⅛
69	53⅞	Brit Tel	4.48	6.6	12	688	68¼	67⅝	67⅝	−¼
21⅞	15¼	Broad Inc	0.20	1.0	8	665	19⅞	19⅜	19⅝	
34¼	26	Brooklyn U	1.94	5.8	15	83	33⅞	33¼	33¼	−⅛
90	72	BrwnFormnB	2.44	2.8	16	203	86⅛	84¼	86⅛	+1½
28¼	21	Brown Grp	1.60	6.8	45	523	24⅜	23⅛	23⅝	−½
10½	5	Brown&Shrp	0.32	5.6	180	148	5⅝	5⅛	5½	−⅛
24⅞	19⅝	Browning F	0.68	3.1	27	52129	22	21⅝	22	+⅛
3⅞	1⅞	BRT				1 10	2⅛	2⅛	2⅛	
17⅜	12⅛	Brunswick x	0.44	3.6	44	2868	12⅝	12⅜	12½	+⅛
19	12⅞	Brush Well	0.20	1.1	10	39	17⅝	17⅜	17½	−⅛
30¼	25⅞	Buckeye Pt	2.60	8.7	11	73	29¾	29⅝	29¾	−⅜
17⅛	15⅜	Bunker Hill	1.44	8.7	0	32	16¾	16⅝	16⅝	−⅛
15	11⅛	Burger K I	1.56	10.7	21	67	14⅝	14¼	14⅝	
17¼	11	Burl Coat			8	79	15¼	14⅞	15⅛	−⅛
47⅜	33¼	Burl North	1.20	3.5	11	3224	34	33⅜	34	+½
42⅞	33	Burlin Resc	0.50	1.2	27	2541	41⅜	39⅞	40¼	+⅛
18	14¼	Burnham Pc	1.36	8.6	76	42	15⅞	16	15⅜	+⅛

- C -

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
37½	27¼	CBI Ind x	0.48	1.7	16	646	27⅝	27½	27⅝	
209¼	132¼	CBS Inc x	1.00	0.5	38	533	195¼	189⅛	190¼	−1⅝
1⅝	⅝	CCX Inc				2 94	¾	d⅝	¾	+⅛
⅝	¼	CF Inc Uts	0.16	64.0	0	10	¼	d¼	¼	
22⅝	14⅞	CMS Energy	0.48	3.0	60	118	15¾	15⅝	15¾	+⅛
104½	78⅛	CNA Finl			12	137	90¼	88¼	88⅞	−⅞
50¼	38¼	CPC Intl	1.20	2.6	17	3808	48½	47⅝	48	−⅛
27⅛	17¼	CPI Corp	0.56	3.2	10	903	17⅛	d17⅛	17⅜	+⅛
67¾	54⅞	CSX x	1.52	2.5	12	3488	60½	59⅜	60	
24½	17¼	CTS Corp	0.75	3.5	36	7	21⅞	21⅞	21⅞	−⅛
33⅝	28¾	Cable&Wire	0.83	2.8	18	1036	29¾	29⅜	29½	−⅛
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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NYSE COMPOSITE PRICES

Continued from previous page

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- X - Y - Z -

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close	Chng
82¼	68½	Xerox	3.00	4.0	17	1416	74¼	73¾	74⅛	+¼
54⅞	50½	Xerox4.125				8	u54⅞	54¼	54¼	+⅛
33¾	24⅞	Xtra 1.94	1.94	6.5		325	31	29½	30	-1⅛
45⅞	28½	Xtra Corp x	0.80	1.9	12	1188	42⅞	40¾	41⅛	-1⅞
29½	25¼	Yankee Egy	1.66	5.8	13	29	29⅛	28⅝	28¾	-¼
1½	½	Zapata			23	121	1	15/16	15/16	
11⅛	6⅛	ZenithElec				41156	6½	d6¼	6½	
19½	14½	Zenith Nat	1.00	5.6	8	11	17¾	17¾	17¾	+⅛
7½	6	Zenix Inc x	0.82	11.7		90	7⅛	7	7	-⅛
13¾	10	Zero Corp	0.40	3.3	19	521	12⅛	12	12⅛	
38	27¾	Zurn Ind	0.88	2.8	34	303	31⅞	31⅜	31⅝	+⅛
14⅛	12	Zweig Fund	1.12	8.7		268	13	12⅞	12⅞	-⅛
11	9½	Zweig Totl	0.96	9.3		564	10⅜	10¼	10⅜	

Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4 pm close August 25

[illegible]

NASDAQ NATIONAL MARKET

4 pm close August 25

[illegible]

FINANCIAL TIMES Wednesday August 26 1992

AMERICA

Firmer bond prices help to steady Dow

Wall Street

AIDED BY a broadly stable dollar and a rally in bond prices, US stock markets held their ground yesterday after four days of heavy losses, *writes Patrick Harverson in New York.*

At the close the Dow Jones Industrial Average was up 4.05 at 3,232.22, having pulled back from an early 18-point decline. The more broadly based Standard & Poor's 500 moved in similar fashion, eventually finishing 0.89 firmer on the day at 411.61, but the American SE composite ended 1.38 off at 379.52 and the Nasdaq composite lost 1.17 at 554.22. Turnover on the New York SE came to 203m shares.

The main influence on equity sentiment remained the dollar, and its effect on bond prices. After an early decline, the US currency managed to hold its ground above DM1.40.

The lack of another dollar debacle boosted bond prices. With the rise in bond yields halted, stock market sentiment improved, and after some early losses triggered by computer sell programs, share prices climbed steadily back to positive territory in the morning.

The day's only economic news, a fall in the Conference Board's consumer confidence survey for August, was brushed aside, even though the data suggested that the economy will remain sluggish for the rest of the summer and probably longer.

Among individual stocks, car manufacturers were heavily traded as the latest auto sales figures came out. General Motors eased $⅛ to $33¾ in turnover of 3.6m shares and Chrysler softened $⅛ to $19½ in volume of 1.5m – both were expected to report lower mid-August car sales but higher truck sales. Ford, however, added $1⅜ at $40⅛ on news of a 28 per cent improvement in car sales.

Two ADRs stood out: Telefonos de Mexico fell initially – as investors reacted to a decline in Mexican stocks on Monday – but recovered to end $⅜ up on balance at $43⅝ on turnover of 2.5m shares; and UK food group Grand Metropolitan dropped $2½ to $30 after the company filed for a $600m issue of fixed-rate debt securities and said 1992 pre-tax profits would be in line with a year ago.

Insurers, heavily sold on Monday, remained a feature in the wake of the hurricane in south Florida which by yesterday afternoon was threatening to inflict heavy damage on the Louisiana coast and the city of New Orleans.

Aetna edged $⅜ lower to $38⅜. Cigna eased $⅛ to $50⅞, Travelers firmed $⅛ to $20¾ and Geico improved $⅛ to $57¼.

Deere & Co shed $⅞ to $38½ after the agricultural equipment manufacturer posted fiscal third-quarter net income of just 12 cents a share, down from 41 cents a share a year ago. The company also warned that the outlook for the rest of the year was uncertain.

Canada

TORONTO posted a small loss after moderate trading. The TSE 300 index slipped 5.0 to 3,375.8 and declines outpaced advances by 282 to 241 after volume of 25.9m shares valued at C$250.8m.

Gold shares gave back about half of Monday's 2.4 per cent gain, losing 1.23 per cent on the index.

Sears Canada said it will issue 10.5m common shares at C$7.25 each, with Sears Roebuck agreeing to subscribe for one-half of the issue. The stock was off C$⅜ at C$7⅛ on about 2.6m shares traded.

Bank of Montreal, C$¼ firmer at C$45¾, reported higher third-quarter and nine-month earnings.

EUROPE

French poll adds to continental gloom

A POLL indicating that France could scupper the Maastricht Treaty added to the gloom on continental bourses, *writes our Markets Staff.*

PARIS opened the new account slightly firmer, supported by an uptick in the bond market. But trading became increasingly volatile following the release of the first poll to show a majority of French voters, albeit a narrow 51 per cent, would reject the Maastricht Treaty.

The CAC-40 index fell as low as 1,640.94 before closing down 21.99 at 1,667.72 in turnover of FFr2.08bn. Polls published later in the day were narrowly in favour of Maastricht.

Dealers said many blue chips were being swayed by the heavy arbitrage between the cash and futures market. LVMH descended to FFr3,481 before ending up FFr6 at FFr3,588 while UAP recovered from FFr330 to close FFr12.50 down at 344.40.

But they also witnessed genuine selling by fund managers wanting to lighten their positions in France, especially in shares which looked vulnerable from a technical point of view.

The biggest faller was Poliet which went limit down on its first trading day in its new form, on news that Paribas had been left with 70 per cent of the building materials company. The stock ended FFr35 or 11.9 per cent down at FFr260 with just 6,625 shares traded.

Elf drew some comfort from its interim results, announced after the close on Monday, losing FFr2.10 to FFr307.70.

FRANKFURT closed at its lowest level since February 1991 as the DAX index shed 29.83 or 2 per cent to 1,468.91 after a midsession fall in the FAZ index of 10.27 to 583.01. Turnover rose to DM4.1bn from DM3.9bn on Monday.

There was agreement among analysts that the market was locked into a negative mood and was not responding to any good news. Linde, which reported an increase in first half pre-tax profits after the close on Monday and forecast improved full-year earnings, lost DM21 or 3 per cent to DM658.

Bayer's interim results, which were also better than anticipated, failed to make a bigger impact: while its shares traded up DM1.90 in the pre bourse, they closed down 10 pfg at DM255.70.

Other chemical stocks lost ground ahead of their results: Hoechst, reporting today, shed DM3.80 to DM228 and BASF fell DM2.70 to DM211.20.

Metallgesellschaft saw one of the steepest falls of the day, down DM20.20 or 6.6 per cent to DM286.50, mainly due to the weak dollar.

MILAN fell further as the lira weakened and fears that smaller brokers were in trouble persisted in the market. "We are being attacked on all fronts," said one dealer. The Comit index fell 5.13 to 394.93 in turnover estimated at L40bn after Monday's thin L38.2bn.

The mark was fixed at a new record high of L764.25 at the fixing, and the Bank of Italy was forced to intervene in support of the lira.

ZURICH lost ground but was more resilient than other markets. The SMI index fell 18.2 to 1,709.7 in moderate turnover.

Ciba-Geigy bearers managed a better day than most, falling SFr2 to SFr624 as sentiment remained positive after last week's results.

AMSTERDAM resisted a steep fall with the CBS Tendency index losing 0.9 to 106.9. Dollar-sensitive stocks saw some of the steepest declines with Unilever Fl 2.30 weaker at Fl 176.60, Akzo dropping Fl 1.30 to Fl 142.00 and Elsevier shedding Fl 2.90 to Fl 104.10.

Pakhoed and Van Ommeren, the storage and transport groups, fell heavily after reporting disappointing half-year figures. Pakhoed lost Fl 3.20 or 8.6 per cent to Fl 34.00 while Van Ommeren tumbled Fl 2.90 or 8.4 per cent to Fl 31.50.

KNP, the paper manufacturer, rose 30 cents to Fl 37.00 ahead of today's first-half results. Another highlight was Hagemeyer, the trading group, up Fl 4.00 or 3 per cent at Fl 129.50 on a 25 per cent increase in earnings for the first six months.

STOCKHOLM continued to slide as domestic interest rates kept climbing. The Affärsvärlden General index fell 17.9 or 2.4 per cent to 732.3 in moderate turnover of SKr483m.

Astra's stronger-than-expected half-year results came too late to support its shares. The B shares dropped SKr13 to SKr484.

OSLO fell on uncertainty over the fate of Uni Storebrand and high Norwegian interest rates. The all-share index closed 5.16 lower at 300.04 in turnover of some NKr285m.

HELSINKI was burdened by falling forestry shares. The sector's index fell 8.3 per cent on a pessimistic forecast for the industry while the HEX index lost 4.5 per cent to a new low of 579.8.

BRUSSELS's Bel-20 index lost 16.70 or 1.5 per cent to 1,068.42 in turnover of BFr1.1bn. Electrabel gained BFr20 to BFr4,810.

MADRID's general index fell 1.94 to 205.66 in turnover estimated at a low Pta5.6bn. Vallehermoso, the property group, lost a further Pta50 or 5.5 per cent to Pta850, after touching an intraday year's low of Pta811.

FT-SE Eurotrack 100 - Aug 25

Hourly changes							
Open	10.30am	11 am	12 pm	1 pm	2 pm	3 pm	close
1009.52	1005.03	1000.17	995.08	996.98	999.28	997.97	993.01

Day's High 1009.52 Day's Low 993.01

Aug 24	Aug 21	Aug 20	Aug 19	Aug 18
1010.52	1039.54	1030.83	1033.91	1035.74

Base value 1000 (26/10/90).

ASIA PACIFIC

Nikkei interrupts five-day winning streak

Tokyo

THE Nikkei average declined for the first time in five trading days on profit-taking and short selling, *writes Emiko Terazono in Tokyo.*

The 225-issue average, which had rallied more than 2,300 points during the past four days, lost 247.19 at 16,380.77, after registering a day's high of 16,823.67 and low of 16,322.26.

Volume contracted to 400m shares from Monday's 570m, while declines led advances by 561 to 358, with 137 issues unchanged. The Topix index of all first section stocks slipped 18.25 to 1,276.84, and in London the ISE/Nikkei 50 index eased 1.93 to 1,041.98.

Traders said some investors were becoming wary of the sharp rise in the index, and had refrained from further buying.

Domestic institutional investors were seen purchasing in small lots, while some short-sellers were covering positions. "There may be more buying to be seen since only about 30 to 40 per cent of the short positions seem to have been covered," said Mr Masami Okuma at UBS Phillips & Drew.

Comments by government officials failed to encourage sentiment. Mr Tsutomu Hata, the finance minister, denied the possibility of the creation of a joint stock purchasing entity, as proposed by a business federation.

Remarks by officials of the governing Liberal Democratic Party and cabinet members also seemed to suggest that the authorities were at odds over the issue of government bonds to provide additional funding to boost the economy.

Green Cross, a medium-sized pharmaceutical company, was the most active issue of the day, climbing by its daily limit of Y200 to Y1,280. The stock has gained for five consecutive days on reports that its anti-Aids drug will enter clinical trials in the US.

Banks retreated on profit-taking. Dai-Ichi Kangyo Bank shed Y80 to Y1,660 and Mitsubishi Bank Y180 to Y2,000. Credit ratings of both banks were lowered yesterday by Moody's Investor Services.

Nippon Housing Loan added Y75 at Y476, although other property-related stocks declined, with Mitsui Fudosan losing Y20 to Y979 and Mitsubishi Estate Y22 to Y925.

High-technology issues saw profit-taking, Hitachi weakening Y16 to Y803 and Fujitsu Y14 to Y583. Victor dropped Y73 to Y751 on reports that the company would lower its forecasts for the year.

In Osaka, the OSE average relinquished 175.64 to 18,043.52 in volume of 20.6m shares.

Roundup

THE weaker dollar and Wall Street's fall unsettled the region's markets yesterday.

HONG KONG declined in late trading as European institutions sold blue chips. The Hang Seng index dipped 99.44, or 1.8 per cent, to 5,291.49 in turnover of HK$2.6bn.

HSBC Holdings fell HK$2.00 to HK$47.75 on continued fears that it may announce a provision to cover its exposure to Olympia & York, the troubled property group.

Jardine Matheson lost HK$2.50 to HK$49 on news that forged share certificates had been seized in the US.

SEOUL advanced for the third consecutive session, the composite index appreciating 10.77 to 494.50. The Securities Stabilisation Fund again intervened, buying Won5bn worth of equities.

MANILA was upset by weakness in Philippine National Bank, which lost 12.50 pesos to 272.50 pesos as investors continued to react negatively to the government's appointment of a new board of directors. The composite index closed 15.26 down at 1,440.45 in combined turnover of 188.6m pesos.

KUALA LUMPUR was disrupted by a computer failure during the last hour of trading and the composite index provisionally finished 4.29 lower at 561.27.

Telekom, which was expected to release disappointing interim earnings after the close, was 80 cents weaker at M$12.90 just before the computer malfunction.

TAIWAN's weighted index receded 34.30 to 3,816.38, while turnover increased to T$21.8bn from T$19.2bn.

BANGKOK concentrated on speculative stocks as the SET index declined 3.35 to 754.48 in low turnover of Bt7bn.

NEW ZEALAND saw lacklustre trading and the NZSE-40 capital index finished 3.98 easier at 1,476.26 in turnover of some NZ$11.1m.

SOUTH AFRICA

A RECOVERY in the futures market helped blue chips bounce off their lows. The overall index dropped 25 to 3,123 and industrials lost 13 to 4,033. Golds shed 16 to 929. De Beers and Anglos stayed weak.

Australian budget gives cold comfort to equities

A weak economic recovery and international trade fears have depressed sentiment, says Kevin Brown

Hopes of a budget-led rally in Australian shares have been disappointed this week as the Australian Stock Exchange All Ordinaries index once again slipped back towards 1,500.

For investors, it was a disappointing response to the Labor government's ninth budget, delivered on August 18, which outlined plans to pump an A$4.6bn (US$3.3bn) stimulus into the economy over the next two years.

Instead of rising on the news, the All Ordinaries fell from 1,549 ruling immediately before the announcement to a 14-month low of 1,517.3 by last night, suggesting the proposed spending was fully reflected in pre-budget share prices.

The nervousness in the market reflects concern over Australia's weak recovery from recession, together with the effects of bad economic news in the US, the UK and Japan, which tend to set the tone for the Australian market.

Sentiment has also been depressed by the apparently increasing risk of failure in the Uruguay Round of the General Agreement on Tariffs and Trade (Gatt), which could seriously damage Australia's important rural industries.

These factors have combined to cut short three promising rallies over the last 12 months, culminating in the last peak in May, when the All Ordinaries climbed to within a few points of the psychologically important 1,700 barrier.

Many brokers continue to believe that substantial upside potential exists in the market, given that the index remains some 34 per cent below its high of 2,300, reached just before the global stock markets crash in October 1987.

However, much will depend on the current results season, when investors will be looking for signs of an end to the recessionary squeeze on profits which caused a flood of red ink in the previous two results periods.

Early indications have been encouraging. Mining companies such as Placer Pacific and Newcrest have reported improved earnings, Alcan Australia, the aluminium group, said it had reduced losses, and Coca-Cola Amatil, the soft drinks and food manufacturer, raised net profits by a solid 19 per cent.

Australia

Source: Datastream

Most attention, however, will be on the results of bigger companies which suffered reverses at this stage last year. These include Brambles and TNT, the transport groups, CRA, Western Mining and other miners, Broken Hill Proprietary, the mining, energy and steel group, Pacific Dunlop, the diversified industrial concern, CSR, the sugar and building products group, Burns Philp, the diversified food producer and trader, and Foster's, the world's fourth largest brewer.

In particular, the market will be looking closely at the results of the four quoted banks, all of which reported lower profits last year. Investors will be hoping for signs of an end to the series of property writedowns which have dogged the banks since 1990.

Over the longer term, the market will be watching for evidence that the substantial stimulus administered to the economy by the government is helping to expand the economy in line with the relatively conservative budget forecast of 3 per cent over the 12 months to next July.

Growth in gross domestic product was a disappointing 0.6 per cent in the three months to the end of March, but most of the indicators are now pointing in the right direction, and most economists believe that activity picked up further in the quarter to the end of June.

The rural sector will also benefit from the continued decline of the Australian dollar, which fell to nearly 70 US cents earlier this week before being pushed back above 71 cents by intervention from the Reserve Bank of Australia.

Nevertheless, confidence remains in short supply, and is likely to be further weakened if the All Ordinaries Index slips below 1,500 in the coming weeks. As in most of the previous 12 months, Australia remains a market for the brave.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY AUGUST 25 1992								MONDAY AUGUST 24 1992					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1992 High	1992 Low	Year ago (approx)
Australia (68)	126.79	−1.9	94.41	100.06	92.29	118.65	−1.6	4.61	129.26	96.09	101.81	94.32	120.62	153.68	126.79	146.07
Austria (19)	149.09	−1.0	111.02	117.67	108.52	108.91	−2.1	2.68	150.56	111.92	118.59	108.86	111.21	186.70	139.27	173.62
Belgium (42)	145.95	−1.4	108.68	115.18	106.23	104.02	−1.8	5.91	148.07	110.07	116.62	108.04	105.90	152.27	135.87	127.17
Canada (114)	125.96	−0.3	93.79	99.40	91.67	108.49	−0.4	3.18	126.31	93.89	99.48	92.16	108.88	142.12	124.32	139.95
Denmark (35)	224.11	−1.5	166.88	176.87	163.12	165.20	−1.4	1.85	226.95	168.70	178.75	165.60	167.53	273.94	224.11	253.23
Finland (15)	61.17	−4.8	45.55	48.28	44.52	49.51	−5.2	2.45	64.27	47.76	50.62	46.90	52.25	89.80	61.17	95.35
France (103)	156.11	−1.1	116.25	123.19	113.62	116.99	−1.2	3.44	157.88	117.35	124.34	115.19	118.38	168.75	149.06	135.24
Germany (64)	115.07	−1.6	85.68	90.82	83.75	83.75	−1.8	2.73	116.93	86.92	92.11	85.32	85.32	129.69	114.67	108.26
Hong Kong (53)	219.19	−1.5	163.22	172.98	159.55	217.52	−1.5	3.84	222.49	165.38	175.23	162.35	220.81	259.55	176.36	165.55
Ireland (16)	158.52	−0.5	118.04	125.10	115.38	118.46	−0.5	4.46	159.39	118.48	125.54	116.30	119.08	173.71	151.78	153.71
Italy (78)	64.15	−1.4	47.77	50.62	46.69	51.26	−1.4	4.04	65.04	48.35	51.23	47.46	51.98	80.86	61.30	71.00
Japan (473)	102.39	−2.0	76.24	80.80	74.53	80.80	−1.8	1.05	104.45	77.64	82.27	76.23	82.27	140.95	87.27	121.80
Malaysia (69)	227.29	−0.2	169.25	179.37	165.43	217.75	−0.3	2.90	227.68	169.24	179.32	166.13	218.39	250.47	212.49	200.65
Mexico (18)	1259.94	−3.2	938.21	994.34	917.06	4247.35	3.2	1.41	1301.09	967.15	1024.76	949.37	4387.83	1789.77	1259.94	1186.86
Netherland (25)	164.63	−0.5	122.59	129.92	119.83	118.61	−0.7	4.72	165.45	122.98	130.31	120.72	119.46	167.29	147.88	136.55
New Zealand (14)	41.90	−1.0	31.20	33.07	30.50	41.13	−1.5	5.52	42.34	31.47	33.35	30.90	41.76	48.52	41.90	46.09
Norway (23)	136.40	−1.0	101.57	107.65	99.28	102.89	−1.2	2.45	137.81	102.44	108.55	100.56	104.14	192.95	136.40	203.07
Singapore (38)	186.18	+0.9	138.64	146.94	135.51	137.45	+0.9	2.41	184.56	137.19	145.36	134.67	136.25	229.63	180.71	186.75
South Africa (61)	188.69	−1.3	140.51	148.91	137.34	154.47	−0.8	3.28	191.09	142.05	150.51	139.43	155.71	263.60	186.87	237.43
Spain (49)	138.23	−1.0	102.93	109.10	100.61	95.45	−0.6	6.15	139.65	103.80	109.99	101.89	96.06	161.72	133.79	150.07
Sweden (30)	171.48	−2.8	127.69	135.33	124.82	130.10	2.9	3.16	176.40	131.13	138.94	128.72	134.03	200.28	171.48	189.58
Switzerland (62)	111.87	−1.3	83.30	88.29	81.43	86.45	−0.9	2.48	113.32	84.24	89.26	82.70	87.22	113.88	95.99	92.05
United Kingdom (228)	179.60	−1.5	133.74	141.73	130.71	133.74	−1.3	5.46	182.27	135.49	143.55	132.99	135.49	200.07	165.85	176.44
USA (522)	167.57	+0.2	124.78	132.25	121.97	167.57	+0.2	3.00	167.25	124.32	131.73	122.04	167.25	173.10	160.92	159.67
Europe (789)	144.98	−1.4	107.96	114.42	105.53	107.32	−1.3	4.43	146.98	109.26	115.77	107.28	108.75	158.88	139.31	138.19
Nordic (103)	159.53	−2.2	118.79	125.90	116.12	115.37	−2.3	2.65	163.07	121.22	128.44	118.99	118.11	188.52	159.53	186.47
Pacific Basin (715)	106.87	−1.9	79.58	84.34	77.79	85.87	−1.7	1.43	108.92	80.96	85.79	79.48	87.36	141.97	93.70	123.62
Euro−Pacific (1504)	122.28	−1.6	91.06	96.50	89.00	94.67	−1.5	2.87	124.32	92.41	97.91	90.71	96.13	145.21	113.80	129.71
North America (636)	164.96	+0.2	122.84	130.20	120.08	163.55	+0.2	3.01	164.68	122.41	129.72	120.18	163.27	170.31	158.70	158.38
Europe Ex. UK (561)	123.97	−1.3	92.31	97.85	90.25	92.12	−1.3	3.69	125.58	93.35	98.93	91.65	93.37	132.98	121.81	115.57
Pacific Ex. Japan (242)	150.86	−1.3	112.34	119.06	109.82	136.77	−1.2	3.95	152.80	113.58	120.36	111.50	138.43	175.31	149.00	141.74
World Ex. US (1697)	123.79	−1.6	92.18	97.70	90.10	96.79	−1.5	2.87	125.80	93.51	99.09	91.79	98.25	146.91	116.18	131.83
World Ex. UK (1991)	133.64	−0.8	99.51	105.47	97.28	116.91	−0.7	2.61	134.71	100.14	106.11	98.31	117.79	150.58	127.21	136.78
World Ex. So. Af. (2158)	137.33	−0.9	102.27	108.39	99.97	118.03	−0.8	2.92	138.54	102.98	109.12	101.10	119.05	153.05	130.04	139.59
World Ex. Japan (1746)	157.49	−0.5	117.27	124.30	114.65	140.08	−0.5	3.56	158.27	117.65	124.67	115.51	140.75	165.40	153.20	151.33
The World Index (2219)	137.61	−0.9	102.47	108.61	100.17	118.44	−0.8	2.93	138.82	103.19	109.34	101.30	119.40	153.70	130.66	140.23

PEOPLE

Perfect pitch for the Associated Board

Richard Morris (left), until last year a managing director of Hodder and Stoughton, is taking over as chief executive of the Associated Board of the Royal Schools of Music (AB) from the beginning of next year. He succeeds Ronald Smith, a former County of Avon schools music inspector, who will have been in the job 10 years when he retires at the age of 64.

"We were looking for someone who combined a rather greater commercial experience with a deep and genuine musical interest" says Sir John Burgh, AB chairman. A charitable body, the AB sets music exams in the UK and overseas, and now has an annual turnover close to £12m. With his unusually varied career, Morris, 47, tunes in well with the Board's requirements.

A qualified solicitor, who spent five years in corporate finance at S G Warburg, he moved in 1979 to Hodder, the independent book publisher with a line in popular fiction including Jeffrey Archer and Stephen King. He rose to become joint managing director in 1989, responsible however for the educational and academic publishing side. He left last June - three months after a major wave of redundancies at Hodder - saying he felt he had "reached a ceiling". Hodder is still run by direct descendants of the Hodder family; Philip Attenborough is chairman and his brother Michael was the other md when Morris was there.

Also a professionally trained operatic bass, the AB's future boss has been on the council of Kent Opera, and 3 years ago co-founded Almaviva Opera, which introduces children to classical opera. Hence his interest in "becoming the chief executive of something that had an educational purpose".

The AB made considerable strides under Smith's stewardship - including expanding the number of pupils taking exams and broadening the range of instruments examined. Morris wants to build on a new training and advisory side, as well as to expand abroad - particularly in America, where, in contrast to the success in South East Asia for instance, the Board has yet to make its mark.

Barclays rewrites its PR

As the latest of the big clearing banks to shake up its public relations team, Barclays Bank has restored the job of polishing up its battered image to a couple of career bankers. Terry Jones, 47, has been appointed group communications director and Geoffrey Kelly, 55, has been made group public relations director.

James Poole, Barclays' head of corporate affairs, is leaving when his contract expires shortly, and the bank has decided to restructure its communications staff and recruit from within rather than hire another outside pr expert.

Jones, who joined Barclays in 1982 and is European director, will have overall responsibility for the group's public relations, investor relations and employee communications.

Kelly, currently corporate communications director at BZW, the investment banking arm, will have direct responsibility for the group's public relations functions, and will be Poole's effective replacement. Although he will report to Jones, on corporate communications issues he will report directly to Andrew Buxton, Barclays' chief executive.

Of the two new faces, Kelly is the better known. He joined Martins Bank - acquired by Barclays in 1969 - almost 40 years ago and has been dealing with the media for much of the time since then. When he was seconded to the information division of the CBI in the early 1980's, it looked as if he was being groomed for the top job on his return to the bank. But Barclays hired Poole and Kelly was moved sideways to BZW.

In March, National Westminster Bank brought in S G Warburg's Simon Lewis as director of corporate affairs. And it remains to be seen who HSBC Holdings will pick as its London pr chief following its acquisition of Midland Bank last month.

■ A Frankfurt-born American of Russian parentage is to lead HOLIDAY INN's drive to find new franchisees in Europe, the Middle East and Africa.

Before joining Holiday Inn, Reas Kondraschow spent 16 years with Burger King, now owned by Grand Metropolitan. His last job at Burger King was as vice-president of franchise sales and development.

Franchising will be particularly important if Holiday Inn is to achieve its European goal of extending its network from 127 hotels today to 200 by the mid-1990s. Of the existing hotels, 70 per cent are franchise operations. The company hopes to increase the proportion to 80 per cent.

■ Henry Pohl, formerly senior vice-president international of Fox Video in Los Angeles, has been appointed finance and business affairs director of POLYGRAM VIDEO INTERNATIONAL. Nadia Ostacchini, formerly international marketing manager, becomes marketing director.

Bodies Politic

■ Professor John Large, director of industrial affairs at Southampton University and president of Southampton Chamber of Commerce, has become a director of HAMPSHIRE Tec.

■ Peter Talbot has been appointed deputy chief executive of ROYAL LONDON SOCIETY FOR THE BLIND; it is intended that he become chief executive on the retirement in July next year of Ronald Pocock.

■ Martin Kudlick, of HW Fisher & Co, has been appointed president of the AFFILIATED CONFERENCE OF PRACTISING ACCOUNTANTS INTERNATIONAL.

■ Adrian White, chairman of Biwater, has been appointed a member of the OVERSEAS PROJECTS BOARD for a three-year period.